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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**FORM 20-F**

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(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

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

For the fiscal year ended December 31, 2021

OR

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

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 001-40842



**Valens Semiconductor Ltd.**

(Exact name of Registrant as specified in its charter)

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Not applicable  
(Translation of Registrant's name into English)

Israel  
(Jurisdiction of incorporation or organization)

8 Hanagar St. POB 7152  
Hod Hasharon 4501309 Israel  
+972 (9) 762-6900  
(Address of principal executive offices)

Copy to:

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(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class

Trading Symbol(s)

Name of each exchange  
on which registered

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the shell company report:

As of December 31, 2021, the issuer had 98,128,655 ordinary shares, no par value, outstanding and 18,160,000 warrants to purchase ordinary shares, no par value.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes  No

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or an emerging growth company. See definition of "accelerated filer," "large accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer   
Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

If "Other" has been checked in response to the previous question indicate by check mark which financial statement item the registrant has elected to follow. Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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## INTRODUCTORY NOTE

*Unless otherwise stated or unless the context otherwise requires, the terms “Company,” “the registrant,” “our company,” “the company,” “we,” “us,” “our,” “ours,” and “Valens” as used in this annual report on Form 20-F (this “Form 20-F” or “Annual Report”) refer to Valens Semiconductor Ltd., a company organized under the laws of the State of Israel.*

This annual report contains estimates, projections and other information concerning our industry and our business, as well as data regarding market research, estimates and forecasts prepared by our management. Information that is based on estimates, forecasts, projections, market research or similar methodologies is inherently subject to uncertainties, and actual events or circumstances may differ materially from events and circumstances that are assumed in this information. The industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors, including those discussed under the headings “Special Note Regarding Forward-Looking Statements” and Item 3.D. “Risk Factors” in this annual report.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Our financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP” or “U.S. GAAP”). We present our combined financial statements in U.S. dollars (“U.S. dollars” “USD,” “US\$” or “\$”).

Our fiscal year ends on December 31 of each year. References to fiscal 2019 and 2019 are references to the fiscal year ended December 31, 2019, references to fiscal 2020 and 2020 are references to the fiscal year ended December 31, 2020, and references to fiscal 2021 and 2021 are references to the fiscal year ended December 31, 2021.

All references in this Annual Report to “Israeli currency” and “NIS” refer to New Israeli Shekels, the terms “dollar,” “USD” or “\$” refer to U.S. dollars.

## TRADEMARKS

We have proprietary rights to trademarks, trade names and service marks used in this Annual Report that are important to our business, many of which are registered under applicable intellectual property laws. Solely for convenience, trademarks, trade names and service marks referred to in this Annual Report may appear without the “®” or “™” symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent possible under applicable law, our rights or the rights of the applicable licensor to these trademarks, trade names and service marks. We do not intend our use or display of other companies’ trademarks, trade names or service marks to imply a relationship with, or endorsement or sponsorship of us by, any other companies. Each trademark, trade name or service mark of any other company appearing in this Annual Report is the property of its respective holder.

## MARKET INFORMATION

This Annual Report contains industry and market data, including market sizing estimates, growth and other projections and information regarding our competitive position, prepared by our management on the basis of industry sources and our management’s knowledge of and experience in the industry and markets in which we operate (including management’s estimates and assumptions relating to such industry and markets based on that knowledge). Our management has developed its knowledge of such industry and markets through its experience and participation in these markets.

## SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS AND RISK FACTOR SUMMARY

Certain statements in this Annual Report may constitute “forward-looking statements” for purposes of the federal securities laws. Valens’ forward-looking statements include, but are not limited to, statements regarding Valens or its management team’s expectations, hopes, beliefs, intentions or strategies regarding the future. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words “anticipate,” “appear,” “approximate,” “believe,” “continue,” “could,” “estimate,” “expect,” “foresee,” “intends,” “may,” “might,” “plan,” “possible,” “potential,” “predict,” “project,” “seek,” “should,” “would” and similar expressions (or the negative version of such words or expressions) may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements in this Annual Report may include, for example, statements about:

Forward-looking statements involve a number of risks, uncertainties and assumptions, and actual results or events may differ materially from those projected or implied in those statements. Important factors that could cause such differences include, but are not limited to:

- The cyclical nature of the semiconductor industry;
- The effects of health epidemics, such as the recent global COVID-19 pandemic;
- The impact of the global pandemic caused by COVID-19 on our customers’ budgets and on economic conditions generally, as well as the length, severity of and pace of recovery following the pandemic;
- Competition in the semiconductor industry, and the failure to introduce new technologies and products in a timely manner to compete successfully against competitors;
- If Valens fails to adjust its supply chain volume due to changing market conditions or fails to estimate its customers’ demand;
- Disruptions in relationships with any one of Valens’ key customers;
- Any difficulty selling Valens’ products if customers do not design its products into their product offerings;
- Valens’ dependence on winning selection processes;
- Even if Valens succeeds in winning selection processes for its products, Valens may not generate timely or sufficient net sales or margins from those wins;
- Sustained yield problems or other delays in the manufacturing process of products;
- Our ability to effectively manage, invest in, grow, and retain our sales force, research and development capabilities, marketing team and other key personnel;
- Our ability to timely adjust product prices to customers following price increase by the supply chain;
- Our ability to adjust our inventory level due to sudden reduction in demand due to inventory buffers accrued by customers;
- Our expectations regarding the outcome of any future litigation in which we are named as a party;

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- Our ability to adequately protect and defend our intellectual property and other proprietary rights;
- The market price and trading volume of the Valens ordinary shares may be volatile and could decline significantly;
- Political, economic, governmental and tax consequences associated with our incorporation and location in Israel; and
- The other matters described in the section titled “Risk Factors”.

Some of these factors are discussed in more detail in this Annual Report, including under “Part I, Item 3. Key Information—D. Risk Factors,” “Part I, Item 4. Information on the Company” and “Part I, Item 5. Operating and Financial Review and Prospects.”

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that future results, levels of activity, performance and events and circumstances reflected in the forward-looking statements will be achieved or will occur. All forward-looking statements in this Annual Report speak as of the date of those statements. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this Annual Report, to conform these statements to actual results or to changes in our expectations.

**PART I**

**ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

**A. DIRECTORS AND SENIOR MANAGEMENT**

Not applicable.

**B. ADVISERS**

Not applicable.

**C. AUDITORS**

Not applicable.

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

**ITEM 3. KEY INFORMATION**

**A. SELECTED FINANCIAL DATA**

Not applicable.

**B. CAPITALIZATION AND INDEBTEDNESS**

Not applicable.

**C. REASONS FOR THE OFFER AND USE OF PROCEEDS**

Not applicable.

**D. RISK FACTORS**

*An investment in our securities involves a high degree of risk. You should carefully consider the risks described below before making an investment decision. Our business, prospects, financial condition, or operating results could be harmed by any of these risks, as well as other risks not known to us or that we consider immaterial as of the date of this Annual Report. The trading price of our securities could decline due to any of these risks, and, as a result, you may lose all or part of your investment. Set forth below is a summary of some of the principal risks we face:*

- The cyclical nature of the semiconductor industry;
- The effects of health epidemics, such as the recent global COVID-19 pandemic;
- Competition in the semiconductor industry, and the failure to introduce new technologies and products in a timely manner to compete successfully against competitors;
- If Valens fails to adjust its supply chain volume due to changing market conditions or fails to estimate its customers' demand;
- Disruptions in relationships with any one of Valens' key customers;
- Any difficulty selling Valens' products if customers do not design its products into their product offerings;
- Valens' dependence on winning selection processes;



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- Even if Valens succeeds in winning selection processes for its products, Valens may not generate timely or sufficient net sales or margins from those wins; and
- Sustained yield problems or other delays in the manufacturing process of products.

### **Risks Related to Our Business and Industry**

#### ***The semiconductor industry is highly cyclical.***

The semiconductor industry is highly cyclical and is characterized by short product life cycles and wide fluctuations in product supply and demand. The industry has, from time to time, experienced significant downturns, often connected with, or in anticipation of, excess manufacturing capacity worldwide, maturing product cycles of both semiconductor companies' and their customers' products and declines in general economic conditions. Cyclical downturns can result from a variety of market forces including constant and rapid technological change, rapid product obsolescence, price erosion, evolving standards, short product life cycles and wide fluctuations in product supply and demand.

The industry has experienced downturns in the past and may experience such downturns in the future. For example, the industry experienced a significant downturn in connection with the most recent global recession in 2008, and further experienced a downturn from 2019 to 2021, which may be prolonged as a result of the economic impact of the COVID-19 pandemic as well as the trade dispute among China and the United States. These downturns have been characterized by diminished product demand, production overcapacity, high inventory levels and accelerated erosion of average selling prices.

Recent downturns in the semiconductor industry have been attributed to a variety of factors, including the COVID-19 pandemic, trade disputes among the United States and China, weakness in demand in certain markets, supply chain capacity challenges and pricing for semiconductors across applications and excess inventory. Recent downturns have directly impacted our business, as has been the case with many other companies, suppliers, distributors and customers in the semiconductor industry and other industries around the world, and any prolonged or significant future downturns in the semiconductor industry could have a material adverse effect on our business, financial condition and results of operations.

Conversely, significant upturns can cause us to be unable to satisfy demand in a timely and cost-efficient manner and could result in increased competition for access to third-party foundry and assembly capacity. In the event of such an upturn, we may not be able to procure adequate capacity within our semiconductor supply chains, resources and raw materials, some of which are single-sourced or locate suitable third-party suppliers or other third-party subcontractors to respond effectively to changes in demand for our existing products. As the shortage in the semiconductor industry increases, we continue to face the impact of extended lead times from our suppliers as well as cost increases for certain raw materials that are in short supply, which may impact our revenues, gross margins and our ability to obtain future design wins, while potentially increasing order cancellations. If the availability of those materials and supplies continues to be interrupted, we may not be able to find suitable replacements and, as a result, our business, financial condition and results of operations could be materially and adversely affected.

#### ***Downturns or volatility in general economic conditions could have a material adverse effect on our business, financial condition, results of operations and liquidity.***

Our net sales, gross margin, and profitability depend significantly on general economic conditions and the demand for products in the markets in which our customers compete. Weaknesses in the global economy and financial markets, including the current weaknesses resulting from the ongoing COVID-19 pandemic, and any adverse changes in general domestic and global economic conditions that may occur in the future, including any recession, economic slowdown or disruption of credit markets, may also lead to, lower demand for products that incorporate our solutions, particularly in the automotive and audio-video markets. A decline in end-user demand

can affect our customers' demand for our products, the ability of our customers to obtain credit and otherwise meet their payment obligations. Our net sales, financial condition and results of operations could be negatively affected by such actions. Volatile and/or uncertain economic conditions can adversely impact sales, gross margin and profitability and make it difficult for us to accurately forecast and plan our future business activities. To the extent we incorrectly plan for favorable economic conditions that do not materialize or take longer to materialize than expected, we may face oversupply of our products relative to customer demand.

Conversely, if we overestimate customer demand, we may manufacture products that we may not be able to sell. As a result, we would have excess inventory, which could result in losses. To the extent that our sales, profitability and strategies are negatively affected by downturns or volatility in general economic conditions, our business, financial condition and results of operations may be materially and adversely affected. In addition, any disruption in the credit markets, including as a result of the current COVID-19 pandemic, could impede our access to capital, which could be further adversely affected if we are unable to obtain or maintain favorable credit ratings. If we have limited access to additional financing sources, we may be required to defer capital expenditures or seek other sources of liquidity, which may not be available to us on acceptable terms or at all.

Similarly, if our suppliers face challenges in obtaining credit or other financial difficulties, they may be unable to provide the materials we need to manufacture our products. All of these factors related to global economic conditions, which are beyond our control, could adversely impact our business, financial condition, results of operations and liquidity.

***The effects of health epidemics, such as the recent global COVID-19 pandemic, have had and could in the future have an adverse impact on our revenue, our employees and results of operations.***

Our business and operations have been and could in the future be adversely affected by health epidemics, such as the global COVID-19 pandemic. The COVID-19 pandemic and efforts to control its spread have curtailed the movement of people, goods and services worldwide, including in the regions in which we and our customers and partners operate, and are significantly impacting economic activity and financial markets. During 2020 and early 2021, we noticed a negative impact from COVID-19 on some of our customers' demand, particularly with respect to end users' audio-video and multimedia products that are used in public areas and for public events. In addition, many automotive companies decreased or paused their manufacturing in 2020 and early 2021 as a result of COVID-19, which negatively impacted our revenue and results of operations. In addition, our customers' businesses or cash flows have been and may continue to be negatively impacted by COVID-19, which may continue to lead them to seek adjustments to payment terms or delay making payments or default on their payables, any of which may impact the timely receipt and/or collectability of our receivables.

Our operations are subject to a range of external factors related to the COVID-19 pandemic that are not within our control. We have taken precautionary measures intended to minimize the risk of the spread of the virus to our employees, customers, and the communities in which we operate. A wide range of governmental restrictions has also been imposed on our employees' and customers' physical movement to limit the spread of COVID 19. There can be no assurance that precautionary measures, whether adopted by us or imposed by others, will be effective, and such measures could negatively affect our sales, marketing, business development activities and customer service efforts, delay and lengthen our sales cycles, decrease our employees' and customers' productivity, or create operational or other challenges especially with respect to extended supply lead times, any of which could harm our business and results of operations.

Although there are effective vaccines for COVID-19 that have been approved for use, not all of our employees are vaccinated. In addition, new strains of the virus have appeared (primarily, and most recently the Omicron variant), which may complicate treatment and vaccination programs. Accordingly, concerns remain regarding additional surges of COVID-19 as seen for example, towards the end of 2021, and the economic impact thereof, all of which may impact our future results of operations and financial condition.

The economic uncertainty caused by the COVID-19 pandemic may continue to make it difficult for us to forecast revenue and operating results and to make decisions regarding operational cost structures and investments. We have committed, and we plan to continue to commit, resources to grow our business, including to expand our international presence, employee base, and technology development, and such investments may not yield anticipated returns, particularly if worldwide business activity continues to be impacted by COVID-19. The duration and extent of the impact from the COVID-19 pandemic depend on future developments that cannot be accurately predicted at this time, and if we are not able to respond to and manage the impact of such events effectively, our business may be harmed.

***Events beyond our control could have an adverse effect on our business, financial condition, results of operations and cash flows.***

Our ability to make, transport and sell products in coordination with our suppliers, customers, distributors and third-party manufacturers or other subcontractors is critical to our success. Damage or disruption to our supply, manufacturing, supply chain or distribution capabilities resulting from weather, freight carrier availability, any potential effects of climate change, natural disaster, disease, fire, explosion, cyber-attacks, terrorism, pandemics, epidemics or other outbreaks of infectious disease, strikes, civil unrest, repairs or enhancements at facilities manufacturing or distribution of our products or other reasons could impair our ability to manufacture, sell our products, and to deliver products to our customers on a timely basis or at all.

Similarly, over demand on existing supply chain manufacturing lines as well as disruptions in the operations of our key suppliers or in the services provided by contract manufacturers, including disruptions due to natural disasters, materials shortages or other disruptions, or by the transition by us to other suppliers or third-party manufacturers could lead also to supply chain problems and otherwise impair or delay our ability to deliver products to our customers on a timely basis or at all. Additionally, we do not have long-term agreements for the materials and supplies used in our business, which could make it more difficult to obtain such materials and supplies.

Other companies in our industry may be affected differently by natural disasters or other disruptions depending on the location of their suppliers, operations and customers. In addition, many of our competitors are larger companies with more substantial financial and other resources and, as a result, may be better able to plan for, withstand or otherwise mitigate the effects of any such disruption. While we may take steps to plan for or address the occurrence of any such event, we cannot guarantee that we will be successful. If we fail to take adequate steps to reduce the likelihood or mitigate the potential impact of such events, or to effectively manage such events if they occur, it could adversely affect our business, financial condition, results of operations and cash flows and/or require additional resources to restore our supply chain.

***Any downturn in the automotive or audio-video markets could significantly harm our financial results.***

Approximately 11% and 89% of our total net sales in fiscal year 2021 and 4% and 96% of our total net sales in fiscal year 2020 were generated by our automotive products and audio-video products, respectively. This concentration of sales as well as current government-imposed restrictions on businesses, operations and travel due to the COVID-19 pandemic and the related economic uncertainty have impacted demand in many global markets exposing us to the risks associated with such markets as follows:

- Audio-Video market: During 2020 and 2021, we noticed a negative impact from the COVID-19 pandemic on some of our Audio-Video customers' demand, particularly with respect to end users' audio-video and multimedia products that are used in public areas and for public events. However, at the same time, we did receive an increase in demand for high-speed connectivity products driven by a need for products and infrastructure to support trends that emerged from the impact of the COVID-19 pandemic such as working from home, hybrid work models, hybrid educational models and remote healthcare.

- Automotive market: Automotive sales generally correlate with economic conditions and consumer spending. A downturn in the automotive market could delay automakers' plans to introduce new vehicles with these features, which would negatively impact the demand for our products and our ability to grow our business. In addition, many automotive manufacturers were forced to suspend manufacturing operations and have only recently resumed production. While demand in the automotive industry is dependent on several factors, automotive manufacturers expect the impact of COVID-19 to be highly dependent on its duration and severity. The foregoing impacts and other adverse effects on the automotive industry could have a material adverse effect on our business, financial condition, and results of operations, as well as our ability to execute our growth strategy.

***The semiconductor industry is highly competitive. If we fail to introduce new technologies and products in a timely manner, this could adversely affect our business.***

The semiconductor industry is highly competitive and characterized by constant and rapid technological change, short product life cycles (in certain cases), significant price erosion and evolving standards. Our ability to compete in this industry depends on many factors, including our ability to identify emerging markets and technology trends in an accurate and timely manner, introduce new and innovative technologies and products, implement advanced manufacturing technologies at a sustainable pace, maintain the performance and quality of our products, and manufacture our products in a cost-effective manner, as well as our competitors' performance and general economic and industry market conditions.

The success of our business depends to a significant extent on our ability to develop new technologies and products that are ultimately successful in the market. The costs related to the research and development necessary to develop new technologies and products are significant and any reduction of our research and development budget could harm our competitiveness. Meeting evolving industry requirements and introducing new products to the market in a timely manner and at prices that are acceptable to our customers are significant factors in determining our competitiveness and success. Given the long development cycle of semiconductor products, commitments to develop new products must be made well in advance of any resulting sales, and technologies and standards may change during development, potentially rendering our products outdated or uncompetitive before their introduction. If we are unable to successfully develop new products, our revenues may decline substantially.

Moreover, some of our competitors are well-established entities, are larger than us and have greater resources than we do. If these competitors increase the resources they devote to developing and marketing their products, we may not be able to compete effectively. Any consolidation among our competitors could enhance their product offerings and financial resources, further strengthening their competitive position. In addition, some of our competitors operate in narrow business areas relative to us, allowing them to concentrate their research and development efforts directly on products and services for those areas, which may give them a competitive advantage. As a result of these competitive pressures, we may face declining sales volumes or lower prevailing prices for our products, and we may not be able to reduce our total product costs in line with these declining revenues. If any of these risks materialize, they could have a material adverse effect on our business, financial condition and results of operations.

*The semiconductor industry is characterized by significant price erosion, especially after a product has been on the market for a significant period of time.*

The products we develop and sell are subject to rapid declines in average selling prices over the life of the products. Product life cycles can be relatively short, and as a result, products tend to be replaced by more technologically advanced substitutes on a regular basis. In turn, demand for older technology falls, causing the price at which such products can be sold to drop, in some cases precipitously. Additionally, competitors may be able to quickly introduce new products to compete with our products, and sometimes competitors will anticipate our entry into a market and start to lower the prices on their products before our entry. To the extent we are unable to reduce the prices of our products and remain competitive, our net sales will likely decline, resulting in further pressure on our gross margins, which could have a material adverse effect on our business, financial condition and results of operations and our ability to grow our business.

Additionally, because we do not operate our own manufacturing, assembly or testing facilities, we may not be able to reduce our costs as rapidly as companies that operate their own facilities and consequently our costs may increase, which could also impact our gross margins. Our gross margin could also be impacted by increased cost (including those caused by tariffs), loss of cost savings or dilution of savings due to changes in charges incurred due to inventory holding periods if parts ordering does not correctly anticipate product demand or if the financial health of either contract manufacturers or suppliers deteriorates as well as excess inventory and inventory storage and obsolescence charges. In addition, we are subject to risks from fluctuating market prices of certain components, which are incorporated into our products or used by our suppliers to manufacture our products. Supplies of these components may, from time to time, become restricted, or general market factors and conditions may affect pricing of such commodities. For example, recent supply shortages in the semiconductor industry of multi-layer complex substrates, IC packaging capacity and fab constraints have resulted in increased lead times, inability to meet demand, and overall increased costs. Any increase in the price of components used in our products may adversely affect our gross margins.

In order to continue profitably supplying our products, we must reduce our production costs in line with the lower revenues we can expect to receive per unit. Usually, this must be accomplished through improvements in process technology and production efficiencies. If we cannot advance our process technologies or improve our efficiencies to a degree sufficient to maintain required margins, we will no longer be able to make a profit from the sale of these products. Additionally, we may not be able to cease production of such products, either due to contractual obligations or for customer relationship reasons, and as a result may be required to bear a loss on such products. We cannot guarantee that competition in our core product markets will not lead to price erosion, lower revenue growth rates and lower margins in the future. Should reductions in our manufacturing costs fail to keep pace with reductions in market prices for the products we sell, this could have a material adverse effect on our business, financial condition and results of operations. Similarly, if our suppliers increase their production prices, and we are not able to roll over such increases to our customers in a timely manner, it could adversely impact our business, decrease our gross margins and operating income.

To attract new customers or retain existing customers, from time to time we offer certain price concessions to our customers, which could cause our average selling prices and gross margins to decline. In the past, we have reduced the average selling prices of our products in anticipation of future competitive pricing pressures, new product introductions by us or by our competitors and other factors. We expect that we will continue to have to reduce prices of existing products in the future. Moreover, because of the wide price differences across the markets we serve, the mix and types of performance capabilities of our products sold may affect the average selling prices of our products and have a substantial impact on our revenue and gross margin. We may enter new markets in which a significant amount of competition exists, and this may require us to sell our products with lower gross margins than we earn in our established businesses. If we are successful in growing revenue in these markets, our overall gross margin may decline. Fluctuations in the mix and types of our products may also affect the extent to which we are able to recover the fixed costs and investments associated with a particular product, and as a result may harm our financial results.

***Failure to adjust our supply chain volume due to changing market conditions or failure to estimate our customers' demand could adversely affect our net sales and could result in additional charges for obsolete or excess inventories or non-cancelable purchase commitments. Conversely, we may have insufficient inventory or be unable to obtain the supplies or contract manufacturing capacity to meet that demand which would result in lost revenue opportunities and potential loss of market share as well as damaged customer relationships.***

We typically sell products pursuant to purchase orders rather than long-term purchase commitments. Some of our customers may cancel or defer purchase orders on short notice without incurring a significant penalty. Due to their inability to predict demand or other reasons, some of our customers may accumulate excess inventories and, as a consequence, defer purchase of our products.

We make significant decisions, including determining the levels of business that we will seek and accept, production schedules, levels of reliance on outsourced contract manufacturing, personnel needs, and other resource requirements, based on our estimates of customer requirements. The short-term nature of the commitments by many of our customers and the possibility of rapid changes in demand for their products reduces our ability to accurately estimate future requirements of our customers. Anticipating future demand is difficult because our customers face unpredictable demand for their own products and are increasingly focused more on cash preservation and tighter inventory management. In addition, as an increasing number of our chips are being incorporated into consumer products, we anticipate greater fluctuations in demand for our products, which makes it more difficult to forecast customer demand. Occasionally, our customers may require rapid increases in production, which can challenge our resources. We may not have sufficient capacity at any given time to meet our customers' demands. Conversely, downturns in the semiconductor industry have in the past caused, and may in the future, cause our customers to significantly reduce the solutions or the number of products ordered from us. Because many of our sales, research and development, and manufacturing expenses are relatively fixed, a reduction in customer demand may decrease our gross margins and operating income.

In addition, we base many of our operating decisions, and enter long term purchase commitments, on the basis of anticipated net sales trends which are highly unpredictable. Some of our purchase commitments are not cancelable, and in some cases we are required to recognize a charge representing the amount of material purchased or ordered which exceeds our actual requirements. These non-cancelable purchase commitments could reduce our ability to adjust our inventory to address declining market demands. If demand for our products is less than we expect, we may experience additional excess and obsolete inventories and be forced to incur additional charges, which would reduce our gross margin and adversely affect our financial results. If net sales in future periods fall substantially below our expectations, or if we fail to accurately forecast changes in demand mix, we could again be required to record substantial charges for obsolete or excess inventories or non-cancelable purchase commitments. Conversely, if we underestimate customer demand or otherwise lack the required manufacturing capacity, we may miss revenue opportunities and potentially lose market share. In addition, any future significant cancellations or deferrals of product orders or the return of previously sold products could materially and adversely affect our profit margins, increase product obsolescence and restrict our ability to fund our operations.

Moreover, during a market upturn, we may not be able to purchase sufficient supplies or components to meet increasing product demand, which could prevent us from taking advantage of opportunities and reduce our net sales. In addition, a supplier could discontinue a component necessary for our design, extend lead times, limit supply, or increase prices due to capacity constraints or other factors. Our failure to adjust our supply chain volume or estimate our customers' demands could have a material adverse effect on our net sales, business, financial condition and results of operations.

***Disruptions in our relationships with any one of our key customers could adversely affect our business.***

Approximately 30% of our revenues 2021 and 39% of our 2020 revenues were generated by our top three customers in each of those periods that purchase products from us based on short term purchase orders that reflect the demand they have from their end customers. We cannot guarantee that we will be able to generate similar levels of revenues from our largest customers in the future. Should one or more of these customers substantially reduce their purchases from us, this could have a material adverse effect on our business, financial condition and results of operations.

Our customers continued success will depend in large part on growth within the markets for our automotive and audio-video solutions and products and their success within such markets. Demand in these markets fluctuates significantly, driven by consumer spending, consumer preferences, the development of new technologies and prevailing economic conditions. Factors affecting these markets could seriously harm our customers and, as a result, harm us, including:

- the effects of catastrophic and other disruptive events at our customers' offices or facilities including, but not limited to, natural disasters, telecommunications failures, cyber-attacks, terrorist attacks, pandemics, epidemics or other outbreaks of infectious disease, including the current COVID-19 pandemic, breaches of security or loss of critical data;
- increased costs associated with potential disruptions to our customers' supply chain and other manufacturing and production operations;
- the deterioration of our customers' financial condition;
- delays and project cancellations as a result of design flaws in the products developed by our customers; the inability of customers to dedicate the resources necessary to promote and commercialize their products;
- the inability of our customers to adapt to changing technological demands resulting in their products becoming obsolete; and
- the failure of our customers' products to achieve market success and gain broad market acceptance.

Any slowdown in the growth of these end markets could adversely affect our financial results.

***We will have difficulty selling our products if customers do not design our products into their product offerings.***

Our products are not sold directly to the end-users, but are components of other products. Our products are generally incorporated into our customers' products at the design stage. As a result, we rely on our customers to select our products from among alternative offerings to be designed into the products they sell. If they do not include our products in their designs, we will have difficulty selling our products. Even after a customer designs our products into the products it sells, the customer is not obligated to purchase our products, nor can we guarantee that the customer is not using competitive products. In addition, the customer can choose at any time to reduce or discontinue their use of our products, for example, if its own products are not commercially successful, or for any other reason. In addition, we often incur significant expenditures on the development of a new product without any assurance that our product will be designed into our customers' products. Once a customer designs a competitor's product into its product offering, it becomes significantly more difficult for us to sell our products to that customer because changing suppliers involves significant cost, time, effort and risk for the customer. Our customers may not continue to design our products into their products or we might not be able to convert any such design into actual sales, either of which could materially and adversely affect our results of operations.

***If we are unable to manage our growth effectively, our business and financial results may be adversely affected.***

To continue to grow, we must continue to expand our operational, engineering, accounting and financial systems, procedures, controls and other internal management systems. This may require substantial managerial and financial resources, and our efforts in this regard may not be successful. Our current systems, procedures and controls may not be adequate to support our future operations. Unless our growth results in an increase in our revenues that is proportionate to the increase in our costs associated with this growth, our operating margins and profitability will be adversely affected. If we fail to adequately manage our growth effectively, improve our operational, financial and management information systems, or effectively train, motivate and manage our new and future employees, it could adversely affect our business, financial condition and results of operations.

***The estimates of market opportunity and growth forecasts included in this disclosure may prove to be inaccurate.***

Market opportunity estimates and growth forecasts are inherently uncertain. Our estimates regarding the expected growth in our served available markets are based on our experience, as well as internal research and industry forecasts, which are subject to a number of estimates and assumptions. While we believe our assumptions and the data underlying our estimates to be reasonable, these assumptions and estimates may not be correct and the conditions supporting our assumptions or estimates may change at any time, thereby reducing the predictive accuracy of these underlying factors. As a result, our estimates regarding the size and expected growth rates of our served available markets may prove to be incorrect. If our served available markets are smaller than we have estimated, our sales growth and/or market share may fail to reach the levels implied by these estimates.

***Our quarterly net sales and operating results are difficult to predict accurately and may fluctuate significantly from period to period. As a result, we may fail to meet the expectations of investors, which could cause our share price to decline.***

We operate in a highly dynamic industry and our future operating results could be subject to significant fluctuations, particularly on a quarterly basis. Our quarterly net sales and operating results have fluctuated significantly in the past and may continue to vary from quarter to quarter due to a number of factors, many of which are not within our control. Although some of our customers provide us with rolling forecasts of their future requirements for our products, a significant percentage of our net sales in each fiscal quarter is dependent on sales that are booked and shipped during that fiscal quarter and are typically attributable to a large number of orders from diverse customers and markets. As a result, accurately forecasting our operating results in any fiscal quarter is difficult. If our operating results do not meet the expectations of securities analysts and investors, our share price may decline.

Additional factors that can contribute to fluctuations in our operating results include:

- the rescheduling, increase, reduction or cancellation of significant customer orders;
- the timing of customer qualification of our products and commencement of volume sales by our customers of systems that include our products;
- the timing and amount of research and development and sales and marketing expenditures;
- the rate at which our present and future customers and end users adopt our technologies in our target end markets;
- the timing and success of the introduction of new products and technologies by us and our competitors, and the acceptance of our new products by our customers;



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- our ability to anticipate changing customer product requirements;
- our gain or loss of one or more key customers;
- the availability, cost and quality of materials and components that we purchase from third-party vendors and any problems or delays in the manufacturing, testing or delivery of our products;
- the availability of production capacity at our third-party facilities or other third-party subcontractors and other interruptions in the supply chain, including as a result of materials shortages, bankruptcies or other causes;
- supply constraints for and changes in the cost of the other components incorporated into our customers' products;
- our ability to reduce the manufacturing costs of our products;
- fluctuations in manufacturing yields;
- the changes in our product mix or customer mix;
- the timing of expenses related to the acquisition of technologies or businesses;
- product rates of return or price concessions in excess of those expected or forecasted;
- the emergence of new industry standards;
- product obsolescence;
- unexpected inventory write-downs or write-offs;
- costs associated with litigation over intellectual property rights and other litigation;
- the length and unpredictability of the purchasing and budgeting cycles of our customers;
- loss of key personnel or the inability to attract qualified engineers;
- the quality of our products and any remediation costs;
- adverse changes in economic conditions in various geographic areas where we or our customers do business;
- the general industry conditions and seasonal patterns in our target end markets, particularly the automotive market and the audio-video market;
- other conditions affecting the timing of customer orders or our ability to fill orders of customers subject to export control or economic sanctions; and
- geopolitical events, such as war, threat of war or terrorist actions, or the occurrence of pandemics, epidemics or other outbreaks of disease, including the current COVID-19 pandemic, or natural disasters, and the impact of these events on the factors set forth above.

We may experience a delay in generating or recognizing revenues for a number of reasons. For example, open backlogs at the beginning of each quarter are typically lower than expected net sales for that quarter and are generally cancelable or reschedulable with minimal notice. Accordingly, we depend on obtaining orders during each quarter for shipment in that quarter to achieve our net sales objectives and failure to fulfill such orders by the end of a quarter may adversely affect our operating results. Furthermore, our customer agreements typically provide that the customer may delay scheduled delivery dates and cancel orders within specified timeframes without a significant penalty. In addition, we maintain an infrastructure of facilities and human resources in several locations around the world and have a limited ability to reduce the expenses required to maintain such infrastructure. Because we base our operating expenses on anticipated revenue trends and a high percentage of our expenses are fixed in the short term, any delay in generating or recognizing forecasted net sales or changes

in levels of our customers' forecasted demand could materially and adversely impact our business, financial condition, and results of operations. Due to our limited ability to reduce expenses, in the event our revenues decline or our forecasted net sales do not meet our expectations, it is likely that in some future quarters our operating results will decrease from the previous quarter or fall below the expectations of securities analysts and investors. As a result of these factors, our operating results may vary significantly from quarter to quarter.

Accordingly, we believe that period-to-period comparisons of our results of operations should not solely be relied upon as indications of future performance. Any shortfall in net sales or net income from a previous quarter or from levels expected by the investment community could cause a decline in the trading price of our share.

***We depend on winning selection processes, and failure to be selected could adversely affect our business in those market segments.***

One of our business strategies is to participate in and win competitive bid selection processes to develop products for use in our customers' equipment and products. These selection processes are typically lengthy and require us to incur significant design and development expenditures, with no guarantee of winning a contract or generating revenues. Incurrence of such significant expenditures, failure to win new design projects and delays in developing new products with anticipated technological advances or in commencing volume shipments of these products may have an adverse effect on our business. This risk is particularly pronounced in markets where there are only a few potential customers and in the automotive market, where, due to the longer design cycles involved, failure to win a design-in could prevent access to a customer for several years. Our failure to win a sufficient number of these bids could result in reduced revenues and hurt our competitive position in future selection processes because we may not be perceived as being a technology or industry leader, each of which could have a material adverse effect on our business, financial condition and results of operations.

***Even if we succeed in winning selection processes for our products, we may not generate timely or sufficient net sales or margins from those wins and our financial results could suffer.***

After incurring significant design and development expenditures, a substantial period of time generally elapses before we generate meaningful net sales relating to such product, if at all, particularly with respect to the automotive industry. The reasons for this delay include, among other things, the following:

- changing customer requirements, resulting in an extended development cycle for the product;
- delay in the ramp-up of volume production of the customer's products into which our solutions are designed;
- delay or cancellation of the customer's product development plans;
- competitive pressures to reduce our selling price for the product;
- the discovery of design flaws, defects, errors or bugs in the products;
- lower than expected customer acceptance of the solutions designed for the customer's products;
- lower than expected acceptance of our customers' products; and
- higher manufacturing costs than anticipated.

If we do not continue to win selection processes for our products in the short term, then we may not be able to achieve expected net sales levels associated with these winnings. If we experience delays in achieving such sales levels, our operating results could be adversely affected. Moreover, even if a customer selects our product, we cannot guarantee that this will result in any sales of our products, as the customer may ultimately change or cancel its product plans, or our customer's efforts to market and sell its product may not be successful.

***If we fail in a timely and cost-effective manner to develop new product features or new products that address customer preferences and achieve market acceptance, our operating results could be adversely affected.***

Our customers are constantly seeking new products with more features and functionality at a lower cost, and our success relies heavily on our ability to continue to develop and market to our customers new and innovative products and improvements of existing products. In order to respond to new and evolving customer demands, achieve strong market share and keep pace with new technological, processing and other developments, we must constantly introduce new and innovative products into the market. Although we strive to respond to customer preferences and industry expectations in the development of our products, we may not be successful in developing, introducing or commercializing any new or enhanced products on a timely basis or at all. Further, if initial sales volumes for new or enhanced products do not reach anticipated levels within the time periods we expect, we may be required to engage in additional marketing efforts to promote such products and the costs of developing and commercializing such products may be higher than we predict. Moreover, new and enhanced products may not perform as expected. We may also encounter lower manufacturing yields and longer delivery schedules in commencing volume production of new products that we introduce, which could increase our costs and disrupt our supply of such products.

A fundamental shift in technologies, the regulatory climate or demand patterns and preferences in our existing product markets or the product markets of our customers or end-users could make our current products obsolete, prevent or delay the introduction of new products or enhancements to our existing products or render our products irrelevant to our customers' needs. If our new product development efforts fail to align with the needs of our customers, including due to circumstances outside of our control like a fundamental shift in the product markets of our customers and end users or regulatory changes, our business, financial condition and results of operations could be materially and adversely affected.

The development of our products is highly complex. New and enhanced products require substantial financial and other resources to research and development. Occasionally, we have experienced delays in completing the development and introduction of new products and product enhancements, and we could experience delays in the future. Unanticipated problems in developing products could also divert substantial research and development and engineering resources, which may impair our ability to develop new products and enhancements and could substantially increase our costs. Even if we introduce new and enhanced products to the market, we may not be able to achieve market acceptance of these products in a timely manner or at all.

***Our competitive position could be adversely affected if we are unable to meet customers' quality requirements.***

Suppliers in the semiconductor industry must meet increasingly stringent quality standards of certain original equipment manufacturers and customers, particularly for automotive and audio-video applications. While our quality performance to date has generally met these requirements, we may experience problems in achieving acceptable quality results in the manufacture of our products, particularly in connection with the production of new products or adoption of a new manufacturing process. Our failure to achieve acceptable quality levels could adversely affect our business results.

***Changes in industry standards could limit our ability to sell our products and force us to write down our inventory.***

The markets for semiconductors are characterized by rapidly evolving industry standards. We must continuously develop new products or upgrade our existing products to keep pace with these evolving standards. Changes in industry standards, or the development of new industry standards, may make our products less competitive or obsolete. Our products comprise only a component of an automotive vehicle or a part of an electronic device. All components of these end products must uniformly comply with industry standards (if any) in order to operate efficiently together. We depend on companies that provide other components of the end products to support prevailing industry standards. Many of these companies are significantly larger and more

influential in driving industry standards than we are. Some industry standards may not be widely adopted or implemented uniformly, and competing standards may emerge that may be preferred by our customers or end users. If larger companies do not support the same industry standards that we do, or if competing standards emerge, market acceptance of our products could be adversely affected, which would harm our business.

Because it is not practicable to develop products that comply with all current standards and new standards that may be adopted in the future, our ability to compete effectively will depend on our ability to select industry standards that will be widely adopted by the market and to design our products to support those relevant industry standards. We may be required to invest significant effort and to incur significant expense to redesign our products to address relevant standards, and we may lose market share if we do not redesign our products quickly enough. If our products do not meet relevant industry standards that are widely adopted for a significant period of time, our results of operations, business, and prospects would be adversely affected.

***If we encounter sustained yield problems or other delays in the manufacturing process of our products, we may lose sales and damage our customer relationships.***

The manufacture of our products, including the fabrication of semiconductor microchip, and the assembly and testing of our products, involve highly complex processes. For example, difficulties in the microchip fabrication process or other factors can cause a substantial portion of the components on a microchip to be nonfunctional. These problems may be difficult to detect at an early stage of the manufacturing process and are often time-consuming and expensive to correct. From time to time, we have experienced problems achieving acceptable yields at our third-party facilities, resulting in delays in the availability of components. Moreover, an increase in the rejection rate of products during the quality control process before, during or after manufacture and/or shipping of such products, results in lower yields and margins. In addition, changes in manufacturing processes required as a result of changes in product specifications, changing customer needs and the introduction of new product lines have historically significantly reduced our manufacturing yields, resulting in low or negative margins on those products. Poor manufacturing yields over a prolonged period of time could adversely affect our ability to deliver our products on a timely basis and harm our relationships with customers, which could materially and adversely affect our business, financial condition and results of operations.

***Our ability to raise capital in the future may be limited and could prevent us from executing our growth strategy.***

Our ability to operate and expand our business depends on the availability of adequate capital, which in turn depends on cash flow generated by our business and the availability of debt, equity, or other applicable financing arrangements. We cannot assure you that our existing resources will be sufficient to meet our future liquidity needs. We may require additional capital to respond to business opportunities, challenges, acquisitions or other strategic transactions and/or unforeseen circumstances. The timing and amount of our working capital and capital expenditure requirements may vary significantly depending on numerous factors, including: market acceptance of our products; the need to adapt to changing technologies and technical requirements; the existence of opportunities for expansion; and access to and availability of sufficient management, technical, marketing and financial personnel.

If our capital resources are insufficient to satisfy our liquidity requirements, we may seek to sell additional equity securities or debt securities or obtain debt financing. The sale of additional equity securities or convertible debt securities would result in additional dilution to our shareholders. Additional debt would result in increased expenses and could result in covenants that would restrict our operations and our ability to incur additional debt or engage in other capital-raising activities. We have not made arrangements to obtain additional financing and there is no assurance that financing, if required, will be available in amounts or on terms acceptable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to grow and support our business and respond to business opportunities and challenges could be significantly limited.

***We are exposed to a variety of financial risks, including currency risk, interest rate risk, liquidity risk, commodity price risk, credit risk and other non-insured risks, which may have an adverse effect on our financial results.***

We are a global company and, as a direct consequence, movements in the financial markets may impact our financial results. We are exposed to a variety of financial risks, including currency fluctuations primarily due to the fact that while our functional currency is the U.S. dollar, our Israeli employees' payroll which is a significant expense in our income statement is paid in NIS, interest rate risk, liquidity risk, commodity price risk and credit risk and other non-insured risks. If we create debt, the rating thereof by major rating agencies may further improve or deteriorate. As a result, our additional borrowing capacity and financing costs may be impacted. Credit risk represents the loss that would be recognized at the reporting date if counterparties failed to perform upon their agreed payment obligations. Credit risk is present within our trade receivables. Such exposure is reduced through ongoing credit evaluations of the financial conditions of our customers and by adjusting payment terms and credit limits when appropriate. We invest available cash and cash equivalents with various financial institutions and are in that respect exposed to credit risk with these counterparties. Cash is invested and financial transactions are concluded where possible with financial institutions with a strong credit rating. If we are unable to successfully manage these risks, they could have a material adverse effect on our business, financial condition and results of operations.

***We may pursue acquisitions and investments in new businesses, products or technologies, joint ventures and other strategic transactions, which may not be successful and could disrupt our business and divert financial and management resources from more productive uses.***

If we identify appropriate opportunities, we may acquire or invest in technologies, businesses or assets that are strategically important to our business or form alliances with key players in the semiconductor industry to further expand our business. If we decide to pursue a strategy of selective acquisitions, we may not be successful in identifying suitable acquisition opportunities or completing such transactions. Our competitors may be more effective in executing and closing acquisitions in competitive bid situations than us. Our ability to enter into and complete acquisitions may be restricted by, or subject to, various approvals under U.S. law and Israeli law or may not otherwise be possible, may result in a possible dilutive issuance of our securities, or may require us to seek additional financing. We also may experience difficulties integrating acquired operations, technology, and personnel into our existing business and operations. Completed acquisitions may also expose us to potential risks, including risks associated with unforeseen or hidden liabilities, the diversion of resources from our existing business, and the potential loss of, or harm to, relationships with our employees as a result of our integration of new businesses. In addition, following completion of an acquisition, our management and resources may be diverted from their core business activities due to the integration process, which diversion may harm the effective management of our business. Furthermore, it may not be possible to achieve the expected level of any synergy benefits on integration and/or the actual cost of delivering such benefits may exceed the anticipated cost. Any of these factors may have an adverse effect on our competitive position, results of operations and financial condition.

***We may have difficulty attracting, motivating and retaining executives and other key employees.***

Our success depends to a large extent upon the continued services of our executive officers, managers and skilled personnel, including our development engineers. Generally, our employees are not bound by obligations that require them to continue to work for us for any specified period and, therefore, they could terminate their employment with us at any time. Given these limitations, we may not be able to continue to attract, retain and motivate qualified personnel necessary for our business.

The loss of services of any key personnel or the inability to hire new personnel with the requisite skills could restrict our ability to develop new products or enhance existing products in a timely matter, to sell products to customers or to manage our business effectively.

***We depend on highly skilled personnel to support our business operations. If we are unable to retain and motivate our current personnel or attract additional qualified personnel, our ability to develop and successfully market our products could be harmed.***

We believe our future success will depend in large part upon our ability to attract and retain highly skilled managerial, engineering, sales and marketing personnel. Our ability to enhance our products may be harmed if we are unable to attract and retain sufficient engineers and research and development personnel. The competition for qualified technical personnel with significant experience in the design, development, manufacturing, marketing and sales of semiconductor solutions is intense, both in Israel where our principal research and development activities are conducted, and we face significant competition for suitably skilled engineers and research and development personnel in this region, where the availability of such personnel is limited as well as in global markets in which we operate. Our inability to attract and retain qualified personnel, including hardware and software engineers and sales and marketing personnel, could delay the development and introduction of, and harm our ability to sell, our products. Our ability to attract and retain qualified personnel also depends on how well we maintain a strong workplace culture that is attractive to employees. Larger companies with whom we compete may allocate more resources than we do on employee recruitment and may be able to offer more favorable compensation and incentive packages than us. In addition, as a result of the intense competition for qualified human resources, the Israeli high-tech market has also experienced and may continue to experience significant wage inflation. Accordingly, our efforts to attract, retain and develop personnel may also result in significant additional expenses, which could adversely affect our profitability. Furthermore, in making employment decisions, particularly in the high-technology industry, job candidates often consider the value of the equity they are to receive in connection with their employment. Employees may be more likely to leave us if the shares they own or the shares underlying their equity incentive awards have significantly appreciated or significantly decreased in value. Many of our employees may receive significant proceeds from sales of our equity in the public markets, which may reduce their motivation to continue to work for us and could heighten the risk of employee attrition. If we cannot attract or retain a sufficient number of skilled research and development employees, our business, prospects and results of operations could be adversely affected. In order to remain competitive, we expect to continue to dedicate significant financial and other resources to expand our research and development teams in order to assist in developing new solutions, applications and enhancements to our existing products and platforms. The loss of our key personnel could harm our business, as their knowledge of our business and industry would be extremely difficult to replace.

In response to the COVID-19 pandemic, we modified our workplace practices, which has resulted in many of our employees working remotely for extended periods of time. As a result, many of our employees have expressed a preference to continue to work from home two to three days a week. In response, we recently announced a hybrid work policy for our Israeli based employees, where employees may work up to two days per week from home. However, certain types of activities such as new product innovation, critical business decision making, brainstorming sessions, providing sensitive employee feedback, and onboarding new employees may be less effective in a hybrid work environment. Our hybrid work environment may also negatively impact social interactions between employees that build camaraderie and may, therefore, negatively impact our office culture. Many companies, including companies that we compete with for talent, have announced plans to adopt full time remote work arrangements or hybrid work arrangements more flexible than ours, which may impact our ability to attract and retain qualified personnel if potential or current employees prefer these policies.

***We may not be able to adequately protect or enforce our intellectual property rights, which could harm our competitive position.***

Our success and future revenue growth will depend, in part, on our ability to protect our intellectual property. We will primarily rely on patent, copyright, trademark, and trade secret laws, as well as non-disclosure agreements and other methods, to protect its proprietary technologies and processes. It is difficult and costly to monitor the use of our intellectual property. It is possible that competitors or other unauthorized third parties may obtain, copy, use or disclose, illegally or otherwise, the company's proprietary technologies and processes, despite efforts by the company to protect its proprietary technologies and processes.

Moreover, the semiconductor industry is generally subject to high turnover of employees, so the risk of trade secret misappropriation may be amplified. If any of our trade secrets are subject to unauthorized disclosure or are otherwise misappropriated by third parties, our competitive position may be materially and adversely affected.

The failure to identify any violations of our intellectual property rights could materially and adversely affect our business, financial condition and result of operations and hurt our competitive advantage.

While we will hold a significant number of patents, there can be no assurances that any additional patents will be issued. Even if new patents are issued, the claims allowed may not be sufficiently broad to protect our technology. In addition, any of our existing patents, and any future patents, may be challenged, invalidated or circumvented. As such, any rights granted under these patents may not provide us with meaningful protection or commercial advantage.

In addition, the protection afforded under the patent and other intellectual property laws of one country may not be the same as that in other countries. Therefore, our intellectual property rights may not be as strong or as easily enforced outside of the U.S. This means, for example, that our right to exclusively commercialize a product in those countries where we have patent rights for that product can vary on a country-by-country basis. We also may not have the same scope of patent protection in every country where we do business. If our patents do not adequately protect our technology, competitors may be able to offer products similar to ours. Our competitors may also be able to develop similar technology independently or design around its patents.

***Our ability to compete successfully depends in part on our ability to commercialize our products without infringing intellectual property rights of others.***

To the same extent that we seek to protect our technology and inventions with patents and trade secrets, our competitors and other third parties do the same for their technology and inventions. We have no means of knowing the content of patent applications filed by third parties until they are published. It is also difficult and costly to continuously monitor the intellectual property portfolios of our competitors to ensure our technologies do not violate the intellectual property rights of any third parties.

The semiconductor industry is ripe with patent assertion entities and is characterized by frequent litigation regarding patent and other intellectual property rights. As a public company with an increased profile and visibility, we may receive communications in the future that allege that our products or technologies infringe third party patents, copyrights, trademarks or other intellectual property rights. Lawsuits or other proceedings resulting from allegations of infringement could subject us to significant liability for damages, invalidate our proprietary rights and adversely affect our business. Defending these proceedings may be costly and time consuming and may divert the attention of management and key personnel from other business issues. The complexity of the technology involved and the uncertainty of intellectual property litigation increase these risks.

In the event that any third-party succeeds in asserting a valid claim against us or any of our customers, we could be forced to do one or more of the following:

- discontinue selling, importing or using certain technologies that contain the allegedly infringing intellectual property which could cause us to stop manufacturing certain products;
- seek to develop non-infringing technologies, which may not be feasible;
- incur significant legal expenses;
- pay substantial monetary damages to the party whose intellectual property rights we may be found to be infringing; and/or
- seek licenses to the infringed technology that may not be available on commercially reasonable terms, if at all.

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If a third party causes us to discontinue the use of any of our technologies, we may be required to design around those technologies. This could be costly and time consuming and could have an adverse effect on our financial results. Any significant impairments of our intellectual property rights from any litigation we face could materially and adversely impact our business, financial condition, results of operations and our ability to compete in our industry.

***We may be subject to disruptions or breaches of our information technology systems that could irreparably damage our reputation and our business, expose us to liability and materially and adversely affect our results of operations.***

We are subject to a number of legal requirements, contractual obligations and industry standards regarding security, data protection and privacy and any failure to comply with these requirements, obligations or standards could have an adverse effect on our reputation, business, financial condition and operating results.

In conducting our business, we routinely collect and store sensitive data, including personal information and proprietary technology and information about our business and our customers, suppliers and business partners, including proprietary technology and information owned by our customers. The secure processing, maintenance and transmission of this information is critical to our operations and business strategy. We may be subject to disruptions or breaches of our network caused by computer viruses, illegal hacking, criminal fraud or impersonation, ransomware attacks, acts of vandalism or terrorism or employee error. Our security measures or those of our third-party suppliers or our customers may not detect or prevent such security breaches. The costs to us to reduce the risk of or alleviate cyber security breaches and vulnerabilities could be significant. Any type of security breach, attack or misuse of data, whether experienced by us or an associated third party, could harm our reputation or deter existing or prospective customers from using our products and applications, increase our operating expenses in order to contain and remediate the incident, expose us to unbudgeted or uninsured liability, disrupt our operations, divert management focus away from other priorities, increase our risk of regulatory scrutiny, result in the imposition of penalties and fines under state, federal and foreign laws or by payment networks and adversely affect our continued payment network registration and financial institution sponsorship. Moreover, any such compromise of our information security could result in the misappropriation or unauthorized publication of our confidential business or proprietary information or personal information, or that of other parties with which we do business, an interruption in our operations, the unauthorized transfer of cash or other of our assets, the unauthorized release of customer or employee data or a violation of privacy or other laws. Computer programmers and hackers also may be able to develop and deploy viruses, worms and other malicious software programs that attack our products, or that otherwise exploit any security vulnerabilities, and any such attack, if successful, could expose us to liability to customer claims. Any of the foregoing could irreparably damage our reputation and business, which could have a material adverse effect on our results of operations.

***There may exist deficiencies in control system and disclosure procedures that could adversely affect the accuracy and reliability of our periodic reporting.***

Prior to September 30, 2021, Valens was a private company with limited accounting personnel and other resources with which to address our internal controls and procedures. Our independent registered public accounting firm has not conducted an audit of the effectiveness of our internal control over financial reporting.

Upon the completion of the listing in the New York stock Exchange (NYSE), we became a public company in the United States and, following the date we are no longer an “emerging growth company, we will be subject to the periodic reporting requirements of the Securities and Exchange Commission (the SEC), including, pursuant to Section 404 of the Sarbanes-Oxley Act, to furnish an assessment by our auditors of the effectiveness of our



internal control over financial reporting. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting. In addition, our independent registered public accounting firm will be required to attest to the effectiveness of our internal control over financial reporting in our first annual report required to be filed with the SEC following the date we are no longer an “emerging growth company.” The company has designed disclosure controls and procedures to provide reasonable assurance that information we must disclose in reports we file or submit under the Exchange Act is accumulated and communicated to management, and recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. However, despite the disclosure and compliance procedures, there may from time to time exist deficiencies in our control systems that could adversely affect the accuracy and reliability of our periodic reporting. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls. Accordingly, because of the inherent limitations in our control system, misstatements due to error or fraud may occur and not be detected. Imperfections in our periodic reporting could create uncertainty regarding the reliability of our results of operations and financial results, which in turn could have a material adverse impact on our reputation or share price. Furthermore, as a public company, our reporting obligations may place a significant strain on our management, operational and financial resources and systems for the foreseeable future.

### **Risks Related to Laws and Regulation**

*Our global business requires us to comply with laws and regulations in countries across the world and exposes us to international business risks that could adversely affect our business.*

We are subject to environmental, labor, health, safety and other laws and regulations in Israel, the United States and other jurisdictions in which we operate. We are also required to obtain environmental permits and other authorizations or licenses from governmental authorities for certain of our operations and have to protect our intellectual property worldwide. In the jurisdictions where we operate, we need to comply with differing standards and varying practices of regulatory, tax, judicial and administrative bodies.

The business environment is also subject to many uncertainties, including the following international business risks:

- negative economic developments in economies around the world and the instability of governments, currently for example the sovereign debt situation in certain European countries;
- Social and political instability in a number of countries around the world, including the recent developments in the Middle East, and also including the threat of war, terrorist attacks in the United States, in Europe, Middle East and Africa (EMEA), or Asia Pacific (APAC), epidemics or civil unrest;
- pandemics or national and international environmental, nuclear or other disasters, which may adversely affect our workforce, as well as our local suppliers and customers;
- adverse changes in governmental policies, especially those affecting trade and investment;
- foreign currency exchange, in particular with respect to the U.S. dollar, and transfer restrictions, in particular in Greater China; and
- threats that our operations or property could be subject to nationalization and expropriation.

No assurance can be given that we have been or will be at all times in complete compliance with the laws and regulations to which we are subject or that we have obtained or will obtain the permits and other authorizations or licenses that we need. If we violate or fail to comply with laws, regulations, permits and other authorizations or licenses, we could be fined or otherwise sanctioned by regulators. In addition, if any of the international business risks were to materialize or become worse, they could also have a material adverse effect on our business, financial condition and results of operations.

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***We are subject to governmental regulations and other legal obligations, particularly related to privacy, data protection and information security, across different markets where we conduct our business. Our actual or perceived failure to comply with such regulations and obligations could harm our business.***

In Israel, the United States and other jurisdictions in which we operate, we are subject to various laws, regulations and other legal obligations related to privacy, data protection and information security. If we are found to have breached any such laws, regulations or other legal obligations in any such jurisdiction, we may be subject to enforcement actions that require us to change our business practices in a manner which may negatively impact our revenue, as well as expose us to litigation, fines, civil and/or criminal penalties and adverse publicity that could cause our customers to lose trust in us, negatively impacting our reputation and business in a manner that harms our financial position.

As part of our business development, we collect information about individuals, also referred to as personal information, and other potentially sensitive and/or regulated data from our customers. Laws and regulations in Israel, the United States and around the world restrict how personal information is collected, stored, used, disclosed and otherwise processed, as well as, among other things, set standards for its security, implement notice requirements regarding privacy practices, and provide individuals with certain rights regarding the use, disclosure and sale of their protected personal information.

For example, in the United States, various federal and state regulators, including governmental agencies like the Federal Trade Commission, or the FTC, have adopted, or are considering adopting, laws and regulations concerning privacy, data protection and information security. Certain state laws may be more stringent or broader in scope, or offer greater individual rights, with respect to personal information than federal, international or other state laws, and such laws may differ from each other, all of which may complicate compliance efforts. For example, the California Consumer Privacy Act of 2018, or the CCPA, which increases privacy rights for California residents and imposes obligations on companies that process their personal information (including device identifiers, IP addresses, cookies and geo-location), came into effect on January 1, 2020. Among other things, the CCPA requires covered companies to provide new disclosures to California consumers and provide such consumers new data protection and privacy rights, including the ability to opt-out of certain sales of personal information. The CCPA provides for civil penalties for violations, as well as a private right of action for certain data breaches that result in the loss of personal information. Additionally, voters approved a new privacy law, the California Privacy Rights Act, or the CPRA, in the November 2020 election. Effective starting on January 1, 2023, the CPRA will significantly modify the CCPA, including by expanding consumers' rights with respect to certain sensitive personal information. Virginia and Colorado have also recently adopted comprehensive data privacy laws similar to the CCPA, which will go into effect in January and July of 2023, respectively. State laws are changing rapidly and there is discussion in Congress of a new comprehensive federal data privacy law to which we would become subject if it is enacted.

Internationally, laws, regulations and standards in many jurisdictions apply broadly to the collection, use, retention, security, disclosure, transfer and other processing of personal information. For example, the EU General Data Protection Regulation, or the GDPR, which became effective in May 2018, greatly increased the European Commission's jurisdictional reach of its laws and adds a broad array of requirements for handling personal data (including online identifiers and location data). EU member states are tasked under the GDPR to enact, and have enacted, certain implementing legislation that adds to and/or further interprets the GDPR requirements and potentially extends our obligations and potential liability for failing to meet such obligations. The GDPR, together with national legislation, regulations and guidelines of the EU member states governing the processing of personal data, impose strict obligations and restrictions on the ability to collect, use, retain, protect, disclose, transfer and

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otherwise process personal data. In particular, the GDPR includes obligations and restrictions concerning the consent and rights of individuals to whom the personal data relates, the transfer of personal data out of the European Economic Area, security breach notifications and the security and confidentiality of personal data. The GDPR authorizes fines for certain violations of up to 4% of global annual revenue or €20 million (or GBP 17.5 million under the UK GDPR) or, whichever is greater. In addition, some countries are considering or have passed legislation implementing data protection requirements or requiring local storage and processing of data or similar requirements that could increase the cost and complexity of delivering our services.

The withdrawal of the United Kingdom from the European Union also has created uncertainty with regard to the regulation of data protection in the United Kingdom. Since January 1 2021, when the transitional period following Brexit expired, we have been required to comply with the GDPR as well as the UK GDPR (combining the GDPR and the UK's Data Protection Act of 2018), which exposes us to two parallel regimes, each of which authorizes similar fines and may subject us to increased compliance risk based on differing, and potentially inconsistent or conflicting, interpretation and enforcement by regulators and authorities (particularly, if the laws are amended in the future in divergent ways). With respect to transfers of personal data from the EEA, on June 28, 2021, the European Commission issued an adequacy decision in respect of the United Kingdom's data protection framework, enabling data transfers from EU member states to the United Kingdom to continue without requiring organizations to put in place contractual or other measures in order to lawfully transfer personal data between the territories. While it is intended to last for at least four years, the European Commission may unilaterally revoke the adequacy decision at any point, and if this occurs, it could lead to additional costs and increase our overall risk exposure.

In addition, in Israel, the Privacy Protection Law, 5741-1981 ("PPL"), and the regulations enacted thereunder, including the Privacy Protection Regulations (Data Security), 5777-2017 ("Data Security Regulations"), as well as guidelines issued by the Israeli Privacy Protection Authority, and Amendment No. 40 to the Communications Law (Telecommunications and Broadcasting), 5742-1982, impose obligations with respect to the manner certain personal data is processed, maintained, transferred, disclosed, accessed and secured. Failure to comply with the PPL, its regulations and guidelines issued by the Israeli Privacy Protection Authority may expose us to administrative fines, civil claims (including class actions) and in certain cases criminal liability.

Current pending legislation may result in a change of the current enforcement measures and sanctions and may also require us to modify the manner personal data is collected, processed and maintained by us. The Israeli Privacy Protection Authority may initiate administrative inspection proceedings, from time to time, without any suspicion of any particular breach of the PPL, as it has done in the past with respect to dozens of Israeli companies in various business sectors. In addition, to the extent that any administrative supervision procedure is initiated by the Israeli Privacy Protection Authority and reveals certain irregularities with respect to our compliance with the PPL, in addition to our exposure to administrative fines, civil claims (including class actions) and in certain cases criminal liability, we may also need to take certain remedial actions to rectify such irregularities, which may increase our costs.

Restrictions on the collection, use, sharing, disclosure or other processing of personal information or additional requirements and liability for security and data integrity could require us to modify our solutions and features, possibly in a material manner, could limit our ability to develop new products and features and could subject us to increased compliance obligations and regulatory scrutiny. Our failure to comply with applicable laws, regulations and other legal obligations, or to protect personal data, could result in enforcement or litigation action against us, including fines, sanctions, penalties, judgments, imprisonment of our officers and public censure, claims for damages by consumers and other affected individuals, damage to our reputation and loss of goodwill, any of which could have a material adverse impact on our business, financial condition and results of operations.

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### ***Failure to comply with the Foreign Corrupt Practices Act, other applicable anti-corruption and anti-bribery laws, and applicable trade control laws could subject us to penalties and other adverse consequences.***

We have extensive international operations and a substantial portion of our business, particular with respect to our manufacturing processes, is conducted outside of the United States. Our operations are subject to the U.S. Foreign Corrupt Practices Act (the “FCPA”), as well as the anti-corruption and anti-bribery laws in the countries where we do business. The FCPA prohibits covered parties from offering, promising, authorizing or giving anything of value, directly or indirectly, to a “foreign government official” with the intent of improperly influencing the official’s act or decision, inducing the official to act or refrain from acting in violation of lawful duty, or obtaining or retaining an improper business advantage. The FCPA also requires publicly traded companies to maintain records that accurately and fairly represent their transactions, and to have an adequate system of internal accounting controls. In addition, other applicable anti-corruption laws prohibit bribery of domestic government officials, and some laws that may apply to our operations prohibit commercial bribery, including giving or receiving improper payments to or from non-government parties, as well as so-called “facilitation” payments. In addition, we are subject to U.S. and other applicable trade control regulations that restrict with whom we may transact business, including the trade sanctions enforced by the U.S. Treasury, Office of Foreign Assets Control.

Though we maintain policies, internal controls and other measures reasonably designed to promote compliance with applicable anticorruption and anti-bribery laws and regulations, and certain safeguards designed to ensure compliance with U.S. trade control laws, our employees or agents may nevertheless engage in improper conduct for which we might be held responsible. Any violations of these anti-corruption or trade controls laws, or even allegations of such violations, can lead to an investigation and/or enforcement action, which could disrupt our operations, involve significant management distraction, and lead to significant costs and expenses, including legal fees. If we, or our employees or agents acting on our behalf, are found to have engaged in practices that violate these laws and regulations, we could suffer severe fines and penalties, profit disgorgement, injunctions on future conduct, securities litigation, bans on transacting government business, delisting from securities exchanges and other consequences that may have a material adverse effect on our business, financial condition and results of operations. In addition, our reputation, our net sales or our share price could be adversely affected if we become the subject of any negative publicity related to actual or potential violations of anti-corruption, anti- bribery or trade control laws and regulations.

### ***Environmental laws and regulations may expose us to liability, and such liability and compliance with these laws and regulations may adversely affect our business.***

The semiconductor industry is subject to a variety of international, federal, state, local and non-U.S. laws and regulations governing pollution, environmental protection and occupational health and safety, including those relating to the release, storage, use, discharge, handling, generation, transportation, disposal, and labeling of, and human exposure to, hazardous and toxic materials, product composition, and the investigation and cleanup of contaminated sites, including sites we currently or formerly owned or operated, due to the release of hazardous materials, regardless of whether we caused such release. We are also required to obtain environmental permits from governmental authorities for some of our operations. We cannot assure that we have been or will be at all times in complete compliance with such laws, regulations and permits. Failure to comply with such laws and regulations could subject us to civil or criminal costs, obligations, sanctions or property damage or personal injury claims, or suspension of our facilities’ operating permits. In addition, we may be strictly liable for joint and several costs associated with investigation and remediation of sites at which we have arranged for the disposal of hazardous wastes if such sites become contaminated, even if we fully comply with applicable environmental laws and regulations. Compliance with current or future environmental and occupational health and safety laws and regulations could restrict our ability to expand our business or require us to modify processes or incur other substantial expenses which could harm our business.

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In the event of an incident involving hazardous materials, we could be liable for damages and such liability could exceed the amount of any liability insurance coverage and the resources of our business. In addition, in the event of the discovery of contaminants or the imposition of clean up obligations for which we are responsible, we may be required to take remedial or other measures which could have a material adverse effect on our business, financial condition and results of operations. In response to environmental concerns, some customers and government agencies impose requirements for the elimination and/or labeling of hazardous substances, such as lead (which is widely used in soldering connections in the process of semiconductor packaging and assembly), in electronic equipment, as well as requirements related to the take-back of products discarded by customers.

Environmental and occupational health and safety laws and regulations have tended to become more stringent over time, causing a need to redesign technologies, imposing greater compliance costs and increasing risks and penalties associated with violations, which could seriously harm our business.

Scientific examination of political attention to and rules and regulations on issues surrounding the existence and extent of climate may result in an increase in the cost of production due to increase in the prices of energy and introduction of energy or carbon tax. A variety of regulatory developments have been introduced that focus on restricting or managing the emission of carbon dioxide, methane and other greenhouse gasses. Enterprises may need to purchase at higher costs new equipment or raw materials with lower carbon footprints. These developments and further legislation that is likely to be enacted could affect our operations negatively.

### ***The IRS may not agree that Valens should be treated as a non-U.S. corporation for U.S. federal income tax purposes.***

Under current U.S. federal income tax law, a corporation generally will be considered to be a U.S. corporation for U.S. federal income tax purposes if it is created or organized in the United States or under the law of the United States or of any State. Accordingly, under generally applicable U.S. federal income tax rules, Valens, which is incorporated and tax resident in Israel, would generally be classified as a non-U.S. corporation for U.S. federal income tax purposes. Section 7874 of the Internal Revenue Code of 1986, as amended (the “Code”) and the Treasury regulations promulgated thereunder, however, contain specific rules that may cause a non-U.S. corporation to be treated as a U.S. corporation for U.S. federal income tax purposes. If it were determined that Valens is treated as a U.S. corporation for U.S. federal income tax purposes under Section 7874 of the Code and the Treasury regulations promulgated thereunder, Valens would be liable for U.S. federal income tax on its income in the same manner as any other U.S. corporation and certain distributions made by Valens to non-U.S. investors generally would be subject to U.S. withholding tax.

As more fully described in the section titled “U.S. Federal Income Tax Considerations—U.S. Federal Income Tax Treatment of Valens—Tax Residence of Valens for U.S. Federal Income Tax Purposes,” based on the terms of the Business Combination (as defined in Item 4A to this Annual Report) and certain factual assumptions, Valens does not believe that it should be treated as a U.S. corporation for U.S. federal income tax purposes under Section 7874 of the Code after the Business Combination. However, the application of Section 7874 of the Code is complex, subject to detailed regulations (the application of which is uncertain in various respects and would be impacted by changes in such U.S. Treasury regulations with possible retroactive effect) and subject to certain factual uncertainties.

Accordingly, there can be no assurance that the IRS will not challenge the status of Valens as a non-U.S. corporation for U.S. federal income tax purposes under Section 7874 of the Code or that such challenge would not be sustained by a court.

If the IRS were to successfully challenge under Section 7874 of the Code Valens’ status as a non-U.S. corporation for U.S. federal income tax purposes, Valens and certain Valens shareholders may be subject to significant adverse tax consequences, including a higher effective corporate income tax rate on Valens and the application of U.S. withholding taxes on dividends paid on Valens ordinary shares to non-U.S. shareholders, subject to reduction under an applicable income tax treaty.

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See “U.S. Federal Income Tax Considerations—U.S. Federal Income Tax Treatment of Valens” for a more detailed discussion of the application of Section 7874 of the Code to Valens. Investors should consult their own tax advisors regarding the application of Section 7874 of the Code to the Business Combination (as defined in Item 4A to this Annual Report) and the tax consequences to Valens and its shareholders if the classification of Valens as a non-U.S. corporation is not respected.

### ***There are significant legal uncertainties as to whether the Business Combination qualified as a tax-free reorganization for former PTK securityholders.***

There are significant legal uncertainties as to whether the Business Combination qualified as a tax-free reorganization under Section 368(a) of the Code, given that PTK had only investment-type assets and that a significant percentage of PTK shareholders exercised their redemption rights (approximately 74%). Accordingly, no assurance can be given that that Internal Revenue Service (“IRS”) will not challenge a position that the Business Combination qualified or did not qualify as a reorganization or that a court will not sustain such challenge by the IRS. For further information regarding this risk and any resulting U.S. federal income tax consequences, please refer to the sections under the title of “Risk Factors—Risk Related to the Business Combination--The Business Combination may not qualify as a reorganization under Section 368(a) of the Internal Revenue Code of 1986, as amended (the “Code”) or may be taxable under Section 367(a) of the Code, potentially causing U.S. investors who own PTK Common Stock and/or PTK warrants to recognize gain or loss for U.S. federal income tax purposes.” and “U.S. Federal Income Tax Considerations—U.S. Holders—U.S. Federal Income Tax Considerations of the Business Combination—Tax Consequences of the Business Combination Under Section 368(a) of the Code” in the Proxy Statement for Special Meeting of Stockholders of PTK Acquisition Corp. (August 27, 2021) and our IRS Form 8937, available at [https://s28.q4cdn.com/438644442/files/doc\\_downloads/2021/11/Report\\_of\\_Organizational\\_Actions\\_Affecting\\_Basis\\_of\\_Securities.pdf](https://s28.q4cdn.com/438644442/files/doc_downloads/2021/11/Report_of_Organizational_Actions_Affecting_Basis_of_Securities.pdf).

Former PTK securityholders should consult their own tax advisors with respect to the U.S. federal, state, local, and non-U.S. tax consequences of the Business Combination in their particular circumstances.

### ***Changes to tax laws or regulations in Israel, the United States and other jurisdictions expose us to tax uncertainties and could adversely affect our results of operations or financial condition.***

As a multinational business, operating in multiple jurisdictions such as Israel, the United States, the EU, Japan and China, we may be subject to taxation in several jurisdictions around the world with increasingly complex tax laws, the application of which can be uncertain. Changes to tax laws or regulations in the jurisdictions in which we operate, or in the interpretation of such laws or regulations, could, significantly increase our effective tax rate and reduce our cash flow from operating activities, and otherwise have a material adverse effect on our financial condition. Changes to tax laws or regulations in the jurisdictions in which we operate, or in the interpretation of such laws or regulations, could, significantly increase our effective tax rate and reduce our cash flow from operating activities, and otherwise have a material adverse effect on our financial condition. Since a significant portion of our operations are located in Israel, changes in tax laws or regulations in Israel could significantly affect our operating results. Further changes in the tax laws of foreign jurisdictions could arise, in particular, as a result of different initiatives undertaken by the Organization for Economic Co-operation and Development (the “OECD”). Any changes in the OECD policy or recommendations, if adopted, could increase tax uncertainty and may adversely affect our provision for income taxes and increase our tax liabilities. In addition, other factors or events, including business combinations and investment transactions, changes in the valuation of our deferred tax assets and liabilities, adjustments to taxes upon finalization of various tax returns or as a result of deficiencies asserted by taxing authorities, increases in expenses not deductible for tax purposes, changes in available tax credits, changes in transfer pricing methodologies, other changes in the apportionment of our income and other activities among tax jurisdictions, and changes in tax rates, could also increase our effective tax rate.

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We are subject to regular review and audit by Israeli and other foreign tax authorities. Although we believe our tax estimates are reasonable, the authorities in these jurisdictions could review our tax returns and impose additional taxes, interest, linkage and penalties, and the authorities could claim that various withholding requirements apply to us or our subsidiaries or assert that benefits of tax treaties are not available to us or our subsidiaries, any of which could materially affect our income tax provision, net income, or cash flows in the period or periods for which such determination and settlement is made. We may also be liable for taxes in connection with businesses we acquire. Our determinations are not binding on any taxing authorities, and accordingly the final determination in an audit or other proceeding may be materially different than the treatment reflected in our tax provisions, accruals and returns. An assessment of additional taxes because of an audit could have a material adverse effect on our business, financial condition, results of operations and cash flows.

### ***Transfer pricing rules may adversely affect our corporate income tax expense.***

Many of the jurisdictions in which we conduct business have detailed transfer pricing rules, which require contemporaneous documentation establishing that all transactions with non-resident related parties be priced using arm's length pricing principles. The tax authorities in these jurisdictions could challenge our related party transfer pricing policies and as a consequence the tax treatment of corresponding expenses and income. International transfer pricing is an area of taxation that depends heavily on the underlying facts and circumstances and generally involves a significant degree of judgment. If any of these tax authorities were to be successful in challenging our transfer pricing policies, we may be liable for additional corporate income tax, and penalties and interest related thereto, which may have a significant impact on our results of operations and financial condition.

### ***Proposed changes to the U.S. tax system, if enacted, could have a material adverse effect on our ongoing liability for U.S. corporate tax.***

The Biden administration has proposed a number of changes to the U.S. tax system. The proposals include changes to the U.S. corporate tax system that would increase U.S. corporate tax rates, impose a corporate minimum book tax, and double the tax rate on and make other tax changes to GILTI earned by foreign subsidiaries of U.S. corporations.

Many aspects of the proposals are unclear or undeveloped. We are unable to predict which, if any, U.S. tax reform proposals will be enacted into law, and what effects any enacted legislation might have on our liability for U.S. tax.

### ***Changes in government trade policies, including the imposition of tariffs and export restrictions, could limit our ability to sell our products to certain customers or demand from certain customers, which may materially and adversely affect our sales and results of operations.***

The U.S. government has in the past made public statements indicating possible significant changes in U.S. trade policy and have taken certain actions that may impact U.S. trade policy, including imposing new or increased tariffs on certain goods imported into the United States. Since our current products are manufactured outside the United States, such changes, if adopted, could have a disproportionate impact on our business and make our products more expensive and less competitive in the U.S. market. Furthermore, changes in U.S. trade policy could trigger retaliatory actions by affected countries, which could impose restrictions on our ability to do business in or with affected countries or prohibit, reduce or discourage purchases of our products by foreign customers, leading to increased costs of components contained in our products, increased costs of manufacturing our products, and higher prices for our products in foreign markets. For example, there are risks that the Chinese government may, among other things, require the use of local suppliers in place of non-Chinese suppliers like us, compel companies that do business in China to partner with local companies to conduct business and provide incentives to government-backed local customers to buy from local suppliers. Changes in, and responses to, U.S. trade policy could reduce the competitiveness of our products and cause our sales to decline, which could



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materially and adversely impact our business, financial condition and results of operations. The U.S. or foreign governments may take administrative, legislative or regulatory action that could materially interfere with our ability to sell products in certain countries and/or to certain customers, particularly in China. We cannot predict what actions may ultimately be taken with respect to tariffs or trade relations between the United States and China or other countries, what products may be subject to such actions, or what actions may be taken by the other countries in retaliation. The institution of trade tariffs both globally and between the United States and China specifically carries the risk of negatively impacting China's overall economic condition, which could have negative repercussions for our business.

***We will be subject to legal and regulatory consequences if we do not comply with applicable export control laws and regulations.***

Products developed and manufactured in Israel and other locations are subject to export controls of the applicable nation. Obtaining export licenses can be difficult, costly and time-consuming and we may not always be successful in obtaining necessary export licenses, and our failure to obtain required import or export approval for our products or limitations on our ability to export or sell our products imposed by these laws may harm our international and domestic revenues. Noncompliance with these laws could have negative consequences, including government investigations, penalties and reputational harm. The absence of comparable restrictions on competitors in other countries may adversely affect our competitive position. Failure to obtain export licenses for our products or having one or more of our customers be restricted from receiving exports from us could significantly reduce our net sales and materially and adversely affect our business, financial condition and results of operations.

***Changing foreign exchange rates may have an adverse effect on our financial results.***

We have operations and assets in Israel, the United States and other foreign jurisdictions. We prepare our consolidated financial statements in U.S. dollars, but a portion of our expenditures are denominated in NIS and other currencies. We therefore must translate our foreign assets, liabilities, revenue and expenses to U.S. dollars at applicable exchange rates. Consequently, fluctuations in the value of the NIS and other foreign currencies relative to the U.S. dollar may negatively affect the value of these items in our financial statements. Additionally, currency exchange rates have been especially volatile in the recent past, and these currency fluctuations may make it difficult for us to predict our results of operations. To the extent we fail to manage our foreign currency exposure adequately, we may suffer losses in the value of our net foreign currency investment, and our business, financial condition, results of operations and cash flows may be negatively affected.

### **Risks Related to Being a Public Company**

***Valens incurs increased costs as a result of operating as a public company, and its management is required to devote substantial time to new compliance initiatives.***

As of September 30, 2021, Valens became a public company subject to reporting requirements in the United States, and it will incur significant legal, accounting, insurance and other expenses that it did not incur as a private company, and these expenses may increase even more after Valens is no longer an emerging growth company, as defined in Section 2(a) of the Securities Act. As a public company, Valens is subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, as well as rules adopted, and to be adopted, by the SEC and the NYSE. Valens' management and other personnel will need to devote a substantial amount of time to these compliance initiatives. Moreover, Valens expects these rules and regulations to substantially increase its legal and financial compliance costs and to make some activities more time-consuming and costly. For example, Valens expects these rules and regulations to make it more difficult and more expensive for it to obtain director and officer liability insurance and it may be forced to accept reduced policy limits or incur substantially higher costs to maintain the same or similar coverage. Valens cannot accurately predict or estimate the full amount or timing of additional costs it may incur to respond to these requirements. The impact of these requirements could also make it more difficult for Valens to attract and retain qualified persons to serve on its board of directors, its board committees or as executive officers.



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### ***A market for Valens' securities may not develop or be sustained.***

The price of Valens' securities may fluctuate significantly due to general market and economic conditions. Between September 30th 2021 and February 22nd 2022, our share price has fluctuated from a low of \$5.34 to a high of \$12.19, and the daily average trading volume in that period was 127,265. An active trading market for Valens' securities may not develop as expected or, if developed, it may not be sustained. In addition, the price of Valens' securities can vary due to general economic conditions and forecasts, Valens' general business condition and the release of Valens' financial reports. The following factors may also cause significant fluctuations in the market price of our ordinary shares:

- negative fluctuations in our quarterly revenues and earnings or those of our competitors;
- pending sales into the market due to the sale of large blocks of shares, due to, among other reasons, the expiration of contractual lock-up with respect to significant amounts of our ordinary shares;
- shortfalls in our operating results compared to levels forecast by us or securities analysts;
- changes in our senior management;
- mergers and acquisitions by us or our competitors;
- technological innovations;
- the introduction of new products;
- the conditions of the securities markets, particularly in the semiconductors sector; and
- political, economic and other developments in Israel and worldwide.

In addition, share prices of many technology companies in general and semiconductors companies in particular fluctuate significantly for reasons that may be unrelated or disproportionate to operating results. The factors discussed above may depress or cause volatility to our share price, regardless of our actual operating results.

Additionally, if Valens' securities become delisted from the NYSE and are quoted on the OTC Bulletin Board (an inter-dealer automated quotation system for equity securities that is not a national securities exchange), the liquidity and price of Valens' securities may be more limited than if Valens was quoted or listed on the NYSE or another national securities exchange.

The lack of an active market may impair our shareholders ability to sell their securities at the time they wish to sell them or at a price that they consider reasonable. The lack of an active market may also reduce the fair value of our securities. An inactive market may also impair our ability to raise capital to continue to fund operations by selling ordinary shares and may impair our ability to acquire other companies or technologies by using our shares as consideration.

### ***Valens' internal controls over financial reporting may not be effective and its independent registered public accounting firm may not be able to attest as to their effectiveness, which could have a significant and adverse effect on Valens' business and reputation.***

Valens is subject to the reporting requirements of the Securities Act, the Exchange Act, the Sarbanes-Oxley Act and the rules and regulations of the NYSE. These rules and regulations will continue to increase our legal, accounting and financial compliance costs, make some activities more difficult, time-consuming and costly, and place significant strain on our personnel, systems and resources.

The Sarbanes-Oxley Act requires, among other things, that Valens maintain effective disclosure controls and procedures and internal control over financial reporting. Valens is continuing to develop and refine its disclosure controls, internal control over financial reporting and other procedures that are designed to ensure that information

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required to be disclosed by it in the reports that it will file with the SEC is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to Valens' principal executive and financial officers.

Valens' current controls and any new controls that it develops may become inadequate because of changes in conditions in its business. Further, weaknesses in Valens' internal controls may be discovered in the future. Any failure to develop or maintain effective controls, or any difficulties encountered in their implementation or improvement, could adversely affect Valens' operating results or cause it to fail to meet its reporting obligations and may result in a restatement of Valens' financial statements for prior periods. Any failure to implement and maintain effective internal controls also could adversely affect the results of periodic management evaluations. Since the Company is an "emerging growth company," as defined in the Securities Act, as modified by the Jumpstart Business Startups Act of 2012 (the "**JOBS Act**"), it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in Valens' reported financial and other information.

In order to maintain and improve the effectiveness of its disclosure controls and procedures and internal control over financial reporting, Valens has expended and anticipates that it will continue to expend significant resources, including accounting-related costs, and provide significant management oversight. Any failure to maintain the adequacy of its internal controls, or consequent inability to produce accurate financial statements on a timely basis, could increase Valens' operating costs and could materially and adversely affect its ability to operate its business. In the event that Valens' internal controls are perceived as inadequate or that it is unable to produce timely or accurate financial statements, investors may lose confidence in Valens' operating results and the stock price of Valens may decline. In addition, if we are unable to continue to meet these requirements, we may not be able to maintain listing on the NYSE.

Our independent registered public accounting firm is not required to attest to the effectiveness of its internal control over financial reporting until after we are no longer an emerging growth company. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which Valens' controls are documented, designed or operating. Any failure to maintain effective disclosure controls and internal control over financial reporting could have a material and adverse effect on our business and operating results.

***We may be named as a party to several legal proceedings in the future, including litigation related to our patents and other intellectual property, which could subject us to liability, require us to indemnify our customers, require us to obtain or renew licenses, require us to stop selling our products or force us to redesign our products.***

We may become a party to lawsuits, government inquiries or investigations and other legal proceedings (referred to as "litigation").

The ultimate outcome of litigation could have a material adverse effect on our business and the trading price for our securities. Litigation may be time consuming, expensive, and disruptive to normal business operations, and the outcome of litigation is difficult to predict. Litigation, regardless of the outcome, may result in significant expenditures, diversion of our management's time and attention from the operation of our business and damage to our reputation or relationship with third parties, which could materially and adversely affect our business, financial condition, results of operations, cash flows and stock price.

## **Risks Relating to Our Incorporation and Location in Israel**

### ***Conditions in Israel could adversely affect our business.***

We are incorporated under the laws of the State of Israel, and our principal offices are located in Israel. Accordingly, political, economic and geo-political instability in Israel may affect our business. Several countries, principally in the Middle East, still restrict doing business with Israel and Israeli companies, and additional countries may impose restrictions on doing business with Israel and Israeli companies if hostilities in Israel or geo-political instability in the region continues or increases. Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its present trading partners, or significant downturn in the economic or financial condition of Israel, could adversely affect our business.

### ***Investors' rights and responsibilities as our shareholders will be governed by Israeli law, which differs in some respects from the rights and responsibilities of shareholders of non-Israeli companies.***

We were incorporated under Israeli law and the rights and responsibilities of our shareholders are governed by our articles of association and Israeli law. These rights and responsibilities differ in some respects from the rights and responsibilities of shareholders of U.S. and other non-Israeli corporations. In particular, a shareholder of an Israeli company has a duty to act in good faith and in a customary manner in exercising its rights and performing its obligations towards the company and other shareholders and to refrain from abusing its power in the company, including, among other things, in voting at the general meeting of shareholders on certain matters, such as an amendment to the company's articles of association, an increase of the company's authorized share capital, a merger of the company and approval of related party transactions that require shareholder approval. A shareholder also has a general duty to refrain from discriminating against other shareholders. In addition, a controlling shareholder or a shareholder who knows that it possesses the power to determine the outcome of a shareholders' vote or to appoint or prevent the appointment of an office holder in the company has a duty to act in fairness towards the company. These provisions may be interpreted to impose additional obligations and liabilities on our shareholders that are not typically imposed on shareholders of U.S. corporations.

### ***Provisions of Israeli law and our amended and restated articles of association may delay, prevent or make undesirable an acquisition of all or a significant portion of our shares or assets.***

Provisions of Israeli law and our amended and restated articles of association could have the effect of delaying or preventing a change in control and may make it more difficult for a third-party to acquire us or our shareholders to elect different individuals to our board of directors, even if doing so would be considered to be beneficial by some of our shareholders, and may limit the price that investors may be willing to pay in the future for our ordinary shares. Among other things:

- Israeli corporate law regulates mergers and requires that a tender offer be effected when more than a specified percentage of shares in a company are purchased;
- Israeli corporate law requires special approvals for certain transactions involving directors, officers or significant shareholders and regulates other matters that may be relevant to these types of transactions;
- Israeli corporate law does not provide for shareholder action by written consent for public companies, thereby requiring all shareholder actions to be taken at a general meeting of shareholders;
- our amended and restated articles of association divide our directors into three classes, each of which is elected once every three years;

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- our amended and restated articles of association generally require a vote of the holders of a majority of our outstanding ordinary shares entitled to vote present and voting on the matter at a general meeting of shareholders (referred to as simple majority), and the amendment of a limited number of provisions, such as the provision dividing our directors into three classes, requires a vote of the holders of 65% of the total voting power of our shareholders;
- our amended and restated articles of association do not permit a director to be removed except by a vote of the holders of at least 65% of the total voting power of our shareholders; and
- our amended and restated articles of association provide that director vacancies may be filled by our board of directors.

Further, Israeli tax considerations may make potential transactions undesirable to us or some of our shareholders whose country of residence does not have a tax treaty with Israel granting tax relief to such shareholders from Israeli tax. For example, Israeli tax law does not recognize tax-free share exchanges to the same extent as U.S. tax law. With respect to mergers, Israeli tax law allows for tax deferral in certain circumstances but makes the deferral contingent on the fulfillment of numerous conditions, including, a holding period of two years from the date of the transaction during which certain sales and dispositions of shares of the participating companies are restricted. Moreover, with respect to certain share swap transactions, the tax deferral is limited in time, and when such time expires, the tax becomes payable even if no disposition of the shares has occurred.

***Our amended and restated articles of association provide that unless the Company consents otherwise, the competent courts of Tel Aviv, Israel shall be the sole and exclusive forum for substantially all disputes between the Company and its shareholders under the Companies Law and the Israeli Securities Law, which could limit our shareholders' ability to bring claims and proceedings against, as well as obtain favorable judicial forum for disputes with the Company, its directors, officers and other employees.***

Unless we agree otherwise, the competent courts of Tel Aviv, Israel shall be the exclusive forum for (i) any derivative action or proceeding brought on behalf of the Company, (ii) any action asserting a claim of breach of fiduciary duty owed by any director, officer, or other employee of the Company to the Company or the Company's shareholders, or (iii) any action asserting a claim arising pursuant to any provision of the Companies Law or the Israeli Securities Law. Such exclusive forum provision in our amended and restated articles of association will not relieve the Company of its duties to comply with federal securities laws and the rules and regulations thereunder, and shareholders of the Company will not be deemed to have waived the Company's compliance with these laws, rules and regulations. This exclusive forum provision may limit a shareholder's ability to bring a claim in a judicial forum of its choosing for disputes with the Company or its directors or other employees which may discourage lawsuits against the Company, its directors, officers and employees. The foregoing exclusive forum provision is intended to apply to claims arising under Israeli law and would not apply to claims for which the federal courts would have exclusive jurisdiction, whether by law (as is the case under the Exchange Act) or pursuant to our amended and restated articles of association, including claims under the Securities Act for which there is a separate exclusive forum provision in our amended and restated articles of association. However, the enforceability of similar forum provisions (including exclusive federal forum provisions for actions, suits or proceedings asserting a cause of action arising under the Securities Act) in other companies' organizational documents has been challenged in legal proceedings and there is uncertainty as to whether courts would enforce the exclusive forum provisions in our amended and restated articles of association. If a court were to find the choice of forum provision contained in our amended and restated articles of association to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could materially adversely affect our business, financial condition and results of operations.

***Our amended and restated articles of association provide that unless we consent to an alternate forum, the federal district courts of the United States shall be the exclusive forum of resolution of any claims arising under the Securities Act which may impose additional litigation costs on our shareholders.***

Our amended and restated articles of association provide that the federal district courts of the United States shall be the exclusive forum for the resolution of any claims arising under the Securities Act or the federal forum provision in our amended and restated articles of association (the “Federal Forum Provision”). While the Federal Forum Provision does not restrict the ability of our shareholders to bring claims under the Securities Act, nor does it affect the remedies available thereunder if such claims are successful, we recognize that it may limit shareholders’ ability to bring a claim in the judicial forum that they find favorable and may increase certain litigation costs which may discourage the filing of claims under the Securities Act against the Company, its directors and officers. However, the enforceability of similar forum provisions (including exclusive federal forum provisions for actions, suits or proceedings asserting a cause of action arising under the Securities Act) in other companies’ organizational documents has been challenged in legal proceedings and there is uncertainty as to whether courts would enforce the exclusive forum provisions in our amended and restated articles of association. If a court were to find the choice of forum provision contained in our amended and restated articles of association to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could materially adversely affect our business, financial condition and results of operations.

***We have received Israeli government grants for certain research and development activities. The terms of those grants require us to satisfy specified conditions as defined in Israel’s Encouragement of Research, Development and Technological Innovation in Industry Law, 5744-1984 (the “Innovation Law”).***

We received Israeli government grants for certain of our research and development activities. When a company develops know-how, technology or products using grants from the Israel Innovation Authority of the Israeli Ministry of Economy and Industry (formerly known as Office of Chief Scientist) (“IIA”), the terms of these grants and the Innovation Law restrict the transfer or license of such know-how, and the transfer of manufacturing or manufacturing rights of such products, technologies or know-how outside of Israel, without the prior approval of the IIA. Therefore, the discretionary approval of an IIA committee would be required for any transfer or license to third parties inside or outside of Israel of know how or for the transfer outside of Israel of manufacturing or manufacturing rights related to those aspects of such technologies. We may not receive those approvals, in the future, while in the past the Company did receive approvals of requests submitted by it according to the Innovation Law, including for the manufacturing of Company products outside of Israel.

Furthermore, the IIA may impose certain conditions on any arrangement under which it permits us to transfer technology or development outside of Israel.

The transfer or license of IIA-supported technology or know-how outside of Israel and the transfer of manufacturing of IIA-supported products, technology or know-how outside of Israel, may require payment to the IIA of amounts which are determined taking into consideration the following elements: (i) the value of the transferred or licensed technology or know-how; (ii) our research and development expenses; (iii) the amount of IIA accumulated grants. Over the years, Valens has received various grants from the IIA in the total amount of \$6 million, out of which the latest grants in the amount of \$2.05 million were received from the IIA in 2016; (iv) accumulated revenue-based royalties already paid by the Company; and (v) the time that has passed since the completion of IIA supported period and other factors. These restrictions and requirements for payment may impair our ability to sell, license or otherwise transfer our technology assets outside of Israel or to outsource or transfer development or manufacturing activities with respect to any product or technology outside of Israel. Furthermore, despite the fact that as of December 31, 2019 the Company paid in full all the grants received from the IIA, Valens remains subject to the restrictions and obligations under the Innovation Law described above, and the net consideration available to our shareholders in certain transactions (such as a merger or similar change of control transaction) involving the transfer outside of Israel of technology or know-how developed with IIA funding may be reduced by any amounts that we may be required to pay to the IIA.

***Certain tax benefits that may be available to Valens, if obtained by Valens, would require it to continue to meet various conditions and may be terminated or reduced in the future, which could increase Valens' costs and taxes.***

Valens may be eligible for certain tax benefits provided to “Preferred Technological Enterprises” under the Israeli Law for the Encouragement of Capital Investments, 5719-1959, referred to as the Investment Law. If Valens obtains tax benefits under the “Preferred Technological Enterprises” regime then, in order to remain eligible for such tax benefits, it will need to continue to meet certain conditions stipulated in the Investment Law and its regulations, as amended. If these tax benefits are reduced, cancelled or discontinued, Valens’ Israeli taxable income may be subject to the Israeli corporate tax rate of 23% in 2021 and thereafter. Additionally, if Valens increases its activities outside of Israel through acquisitions, for example, its activities might not be eligible for inclusion in future Israeli tax benefit programs. See “*Certain Material Israeli Tax Considerations.*”

***It may be difficult to enforce a U.S. judgment against Valens, its officers and directors in Israel or the United States, or to assert U.S. securities laws claims in Israel or serve process on Valens' officers and directors.***

Most of Valens’ directors or officers are not residents of the United States and most of their and Valens’ assets are located outside the United States. Service of process upon Valens or its non-U.S. resident directors and officers and enforcement of judgments obtained in the United States against Valens or its non-U.S. directors and executive officers may be difficult to obtain within the United States, although our amended and restated articles of association provide that unless we consent to an alternate forum, the federal district courts of the United States shall be the exclusive forum of resolution of any claims arising under the Securities Act. Israeli courts may refuse to hear a claim based on a violation of U.S. securities laws against Valens or its non-U.S. officers and directors because Israel may not be the most appropriate forum to bring such a claim. In addition, even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not U.S. law is applicable to the claim. If U.S. law is found to be applicable, the content of applicable U.S. law must be proved as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by Israeli law. There is little binding case law in Israel addressing the matters described above. Israeli courts might not enforce judgments rendered outside Israel, which may make it difficult to collect on judgments rendered against Valens or its non-U.S. officers and directors.

Moreover, among other reasons, including but not limited to, fraud or absence of due process, or the existence of a judgment which is at variance with another judgment that was given in the same matter if a suit in the same matter between the same parties was pending before a court or tribunal in Israel, an Israeli court will not enforce a non-Israeli judgment if it was given in a state whose laws do not provide for the enforcement of judgments of Israeli courts (subject to exceptional cases) or if its enforcement is likely to prejudice the sovereignty or security of the State of Israel. For more information, see “*Enforceability of Civil Liabilities.*”

#### **Risks Related to Ownership of Our Shares and Warrants**

***The Valens Articles and Israeli law could prevent a takeover that shareholders consider favorable and could also reduce the market price of Valens ordinary shares.***

Certain provisions of Israeli law and the Valens Articles could have the effect of delaying or preventing a change in control and may make it more difficult for a third party to acquire Valens or for Valens’ shareholders to elect different individuals to its board of directors, even if doing so would be beneficial to its shareholders, and may limit the price that investors may be willing to pay in the future for the Valens ordinary shares. For example, Israeli corporate law regulates mergers and requires that a tender offer be effected when certain thresholds of percentage ownership of voting power in a company are exceeded (subject to certain conditions). Further, Israeli tax considerations may make potential transactions undesirable to Valens or to some of its shareholders whose country of residence does not have a tax treaty with Israel granting tax relief to such shareholders from Israeli tax. Payment of dividends may be subject to Israeli withholding taxes. See Item 10.E. “*Taxation—Taxation and government programs—Israeli tax considerations and government programs*” for additional information.

We have never declared or paid any cash dividends. Further, we do not intend to pay dividends for the foreseeable future. We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any dividends on our ordinary shares in the foreseeable future.

Our board of directors has sole discretion whether to pay dividends. If Valens' board of directors decides to pay dividends, the form, frequency, and amount will depend upon its future, operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that its directors may deem relevant. The Israeli Companies Law, 5759-1999 (the "Companies Law") imposes restrictions on Valens' ability to declare and pay dividends. See "*Description of share capital and articles of association—Dividend and liquidation rights*" for additional information.

***The market price and trading volume of the Valens ordinary shares may be volatile and could decline significantly.***

The stock markets, including the NYSE on which our ordinary shares and warrants are listed under the symbol "VLN," and "VLNW," respectively, have from time to time experienced significant price and volume fluctuations. The market price of our ordinary shares and warrants may be volatile and could decline significantly. In addition, the trading volume in the our ordinary shares and warrants may fluctuate and cause significant price variations to occur. If the market price of our ordinary shares and warrants declines significantly, shareholders may be unable to resell their shares or warrants at or above the market price of the ordinary shares and warrants. The market price of our ordinary shares and warrants might fluctuate widely or decline significantly in the future in response to a number of factors, including, among others, the following:

- the realization of any of the risk factors presented in this Annual Report;
- actual or anticipated differences in Valens' estimates, or in the estimates of analysts, for Valens' revenues, earnings, results of operations, level of indebtedness, liquidity or financial condition;
- additions and departures of key personnel;
- failure to comply with the requirements of the NYSE;
- failure to comply with the Sarbanes-Oxley Act or other laws or regulations;
- publication of research reports about Valens;
- the performance and market valuations of other similar companies;
- failure of securities analysts to initiate or maintain coverage of Valens, changes in financial estimates by any securities analysts who follow Valens or Valens' failure to meet these estimates or the expectations of investors;
- new laws, regulations, subsidies, or credits or new interpretations of existing laws applicable to Valens;
- commencement of, or involvement in, litigation involving Valens;
- broad disruptions in the financial markets, including sudden disruptions in the credit markets;
- speculation in the press or investment community;
- actual, potential or perceived control, accounting or reporting problems;
- changes in accounting principles, policies and guidelines; and
- other events or factors, including those resulting from infectious diseases, health epidemics and pandemics (including the ongoing COVID-19 public health emergency), natural disasters, war, acts of terrorism or responses to these events.

In the past, securities class-action litigation has often been instituted against companies following periods of volatility in the market price of their shares. This type of litigation could result in substantial costs and divert our management's attention and resources, which could have a material adverse effect on us.

***If securities or industry analysts do not publish or cease publishing research or reports about Valens, its business, or its market, or if they change their recommendations regarding the Valens ordinary shares adversely, then the price and trading volume of the Valens ordinary shares could decline.***

The trading market for the Valens ordinary shares will be influenced by the research and reports that industry or financial analysts publish about its business. Valens does not control these analysts, or the content and opinions included in their reports. As a new public company, Valens cannot guarantee a wide research coverage and the analysts who publish information about the Valens ordinary shares will have relatively little experience with Valens, which could affect their ability to accurately forecast Valens' results and make it more likely that Valens fails to meet their estimates. In the event Valens obtains industry or financial analyst coverage, if any of the analysts who cover Valens issues an inaccurate or unfavorable opinion regarding it, Valens' share price would likely decline. In addition, the share prices of many companies in the technology industry have declined significantly after those companies have failed to meet, or significantly exceed, the financial guidance publicly announced by the companies or the expectations of analysts. If Valens' financial results fail to meet, or significantly exceed, its announced guidance or the expectations of analysts or public investors, analysts could downgrade their ratings of Valens ordinary shares or publish unfavorable research about it. If one or more of these analysts cease coverage of Valens or fail to publish reports on it regularly, Valens' visibility in the financial markets could decrease, which in turn could cause its share price or trading volume to decline.

***Valens' failure to meet the continued listing requirements of the NYSE could result in a delisting of its Securities.***

If Valens fails to satisfy the continued listing requirements of the NYSE such as the corporate governance requirements or the minimum closing bid price requirement, the NYSE may take steps to delist its securities. Such a delisting would likely have a negative effect on the price of the securities and would impair your ability to sell or purchase the securities when you wish to do so. In the event of a delisting, Valens can provide no assurance that any action taken by it to restore compliance with listing requirements would allow its securities to become listed again, stabilize the market price or improve the liquidity of its securities, prevent its securities from dropping below the NYSE minimum bid price requirement or prevent future non-compliance with the NYSE's listing requirements. Additionally, if Valens' securities become delisted from the NYSE for any reason, and are quoted on the OTC Bulletin Board, an inter-dealer automated quotation system for equity securities that is not a national securities exchange, the liquidity and price of Valens' securities may be more limited than if it were quoted or listed on the NYSE or another national securities exchange. You may be unable to sell your securities unless a market can be established or sustained.

Valens is an emerging growth company within the meaning of the Securities Act and takes advantage of certain exemptions from disclosure requirements available to emerging growth companies, this could make Valens' securities less attractive to investors and may make it more difficult to compare Valens' performance with other public companies.

Valens is treated as an emerging growth company, as defined in Section 2(a) of the Securities Act, as modified by the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised financial accounting standards until such time as those standards apply to private companies. Valens intends to take advantage of this extended transition period under the JOBS Act for adopting new or revised financial accounting standards.



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For as long as Valens continues to be an emerging growth company, it may also take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. As a result, its shareholders may not have access to certain information that they may deem important. Valens could be an emerging growth company for up to five years, although circumstances could cause it to lose that status earlier, including if its total annual gross revenue exceeds \$1.07 billion, if it issues more than \$1.0 billion in non-convertible debt securities during any three-year period, or if before that time it is a “large accelerated filer” under U.S. securities laws.

Valens cannot predict if investors will find Valens ordinary shares less attractive because it may rely on these exemptions. If some investors find Valens ordinary shares less attractive as a result, there may be a less active trading market for Valens ordinary shares and Valens’ share price may be more volatile. Further, there is no guarantee that the exemptions available to Valens under the JOBS Act will result in significant savings. To the extent that Valens chooses not to use exemptions from various reporting requirements under the JOBS Act, it will incur additional compliance costs, which may impact Valens’ financial condition.

***We are a foreign private issuer and, as a result, are not subject to U.S. proxy rules but are subject to Exchange Act reporting obligations that, to some extent, are more lenient and less frequent than those of a U.S. issuer.***

Because we qualify as a foreign private issuer under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and although we follow Israeli laws and regulations with regard to such matters, we are exempt from certain provisions of the Exchange Act that are applicable to U.S. public companies, including: (i) the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act (ii) the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time and (iii) the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K, upon the occurrence of specified significant events. In addition, foreign private issuers will be required to file their annual report on Form 20-F by 120 days after the end of each fiscal year, while U.S. domestic issuers that are accelerated filers are required to file their annual report on Form 10-K within 75 days after the end of each fiscal year. Foreign private issuers are also exempt from the Regulation Fair Disclosure, aimed at preventing issuers from making selective disclosures of material information. As a result of the above, even though we are contractually obligated and intend to make interim reports available to our shareholders, copies of which we are required to furnish to the SEC on a Form 6-K, and even though we are required to file reports on Form 6-K disclosing whatever information we have made or are required to make public pursuant to Israeli law or distribute to our shareholders and that is material to our company, you may not have the same protections afforded to shareholders of companies that are United States domestic issuers.

***We may lose our foreign private issuer status in the future, which could result in significant additional costs and expenses.***

As discussed above, we are a foreign private issuer, and therefore, we are not required to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act. The determination of foreign private issuer status is made annually on the last business day of an issuer’s most recently completed second fiscal quarter, and, accordingly, the next determination will be made with respect to us on June 30, 2022. In the future, we would lose our foreign private issuer status if (1) more than 50% of our outstanding voting securities are owned by U.S. residents and (2) a majority of our directors or executive officers are U.S. citizens or residents, or we fail to meet additional requirements necessary to avoid loss of foreign private issuer status. If we lose our foreign private issuer status, we will be required to file with the SEC periodic reports and registration statements

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on U.S. domestic issuer forms, which are more detailed and extensive than the forms available to a foreign private issuer. We will also have to mandatorily comply with U.S. federal proxy requirements, and our officers, directors and principal shareholders will become subject to the short-swing profit disclosure and recovery provisions of Section 16 of the Exchange Act. In addition, we will lose our ability to rely upon exemptions from certain corporate governance requirements under the listing rules of the New York Stock Exchange. As a U.S. listed public company that is not a foreign private issuer, we will incur significant additional legal, accounting and other expenses that we will not incur as a foreign private issuer.

***As we are a “foreign private issuer” and follow certain home country corporate governance practices, our shareholders may not have the same protections afforded to shareholders of companies that are subject to all New York Stock Exchange corporate governance requirements.***

As a foreign private issuer, we have the option to follow certain home country corporate governance practices rather than those of the NYSE, provided that we disclose the requirements we are not following and describe the home country practices we are following. We rely on this “foreign private issuer exemption” with respect to the NYSE rules requiring shareholder approval. We may in the future elect to follow home country practices with regard to other matters. As a result, our shareholders may not have the same protections afforded to shareholders of companies that are subject to all NYSE corporate governance requirements.

***If Valens were a passive foreign investment company (“PFIC”) for U.S. federal income tax purposes, U.S. investors may suffer adverse tax consequences.***

A non-U.S. corporation generally will be treated as a PFIC for U.S. federal income tax purposes, in any taxable year if either (1) at least 75% of its gross income for such year is passive income or (2) at least 50% of the value of its assets (generally based on an average of the quarterly values of the assets) during such year is attributable to assets that produce or are held for the production of passive income (including cash). For purposes of the above calculations, a non-U.S. corporation that directly or indirectly owns at least 25% by value of the shares of another corporation is treated as if it held its proportionate share of the assets of the other corporation and received directly its proportionate share of the income of the other corporation. Passive income generally includes dividends, interest, rents, royalties and capital gains. Based on the composition of the income and assets and the operations of Valens and its subsidiaries, Valens believes that it was not a PFIC for 2021. However, there can be no assurances in this regard or any assurances that Valens will not be treated as a PFIC in any future taxable year. Moreover, the application of the PFIC rules is subject to uncertainty in several respects, and Valens cannot assure you that the Internal Revenue Services (the “IRS”) will not take a contrary position or that a court will not sustain such a challenge by the IRS.

Whether Valens or any of its subsidiaries are a PFIC for any taxable year is a factual determination that depends on, among other things, the composition of Valens’ income and assets, and the value of its and its subsidiaries’ shares and assets. Changes in the composition of the income or assets of Valens and its subsidiaries may cause Valens to be or become a PFIC for the current or subsequent taxable years. Whether Valens is treated as a PFIC for U.S. federal income tax purposes is a factual determination that must be made annually at the close of each taxable year and, thus, is subject to significant uncertainty.

If Valens is a PFIC for any taxable year, a U.S. investor who owns Valens ordinary shares or Valens warrants may be subject to adverse tax consequences and additional information reporting obligations. For a further discussion, see “*U.S. Federal Income Tax Considerations—U.S. Federal Income Tax Considerations of Ownership and Disposition of Valens Ordinary Shares and Valens Warrants to U.S. Holders—Passive Foreign Investment Company Rules.*” U.S. investors who own Valens ordinary shares and/or Valens warrants are strongly encouraged to consult their own advisors regarding the potential application of these rules to Valens and the ownership of Valens ordinary shares and/or Valens warrants.

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***If a U.S. investor is treated for U.S. federal income tax purposes as owning at least 10% of the Valens ordinary shares, such U.S. investor may be subject to adverse U.S. federal income tax consequences.***

For U.S. federal income tax purposes, if a U.S. investor who is a U.S. person is treated as owning (directly, indirectly or constructively) at least 10% of the value or voting power of the Valens ordinary shares, such U.S. investor may be treated as a “United States shareholder” with respect to Valens, or any of its non-U.S. subsidiaries, if Valens or such subsidiary is a “controlled foreign corporation.” A non-U.S. corporation is considered a controlled foreign corporation if more than 50% of (1) the total combined voting power of all classes of stock of such corporation entitled to vote, or (2) the total value of the stock of such corporation is owned or is considered as owned by applying certain constructive ownership rules, by United States shareholders on any day during the taxable year of such non-U.S. corporation. As Valens has U.S. subsidiaries, certain of Valens’ non-U.S. subsidiaries could be treated as a controlled foreign corporation regardless of whether Valens is treated as a controlled foreign corporation.

Certain United States shareholders of a controlled foreign corporation may be required to report annually and include in their U.S. federal taxable income their pro rata share of the controlled foreign corporation’s “Subpart F income” and, in computing their “global intangible low-taxed income,” “tested income” and a pro rata share of the amount of certain U.S. property (including certain stock in U.S. corporations and certain tangible assets located in the United States) held by the controlled foreign corporation regardless of whether such controlled foreign corporation makes any distributions. The amount includable by a United States shareholder under these rules is based on a number of factors, including potentially, but not limited to, the controlled foreign corporation’s current earnings and profits (if any), tax basis in the controlled foreign corporation’s assets, and foreign taxes paid by the controlled foreign corporation on its underlying income. Failure to comply with these reporting obligations (or related tax payment obligations) may subject such United States shareholder to significant monetary penalties and may extend the statute of limitations with respect to such United States shareholder’s U.S. federal income tax return for the year for which reporting (or payment of tax) was due. Valens does not intend to assist U.S. investors in determining whether Valens or any of its non-U.S. subsidiaries are treated as a controlled foreign corporation for U.S. federal income tax purposes or whether any U.S. investor is treated as a United States shareholder with respect to any of such controlled foreign corporations or furnish to any holder information that may be necessary to comply with reporting and tax paying obligations if Valens, or any of its non-U.S. subsidiaries, is treated as a controlled foreign corporation for U.S. federal income tax purposes. U.S. investors who hold actually or constructively 10% or more of the combined voting power or value of Valens ordinary shares are strongly encouraged to consult their own advisors regarding the U.S. tax consequences of owning or disposing of Valens ordinary shares.

## **ITEM 4. INFORMATION ON THE COMPANY**

### **A. HISTORY AND DEVELOPMENT OF THE COMPANY**

We were incorporated on October 26, 2006, as a private limited liability company under the laws of the State of Israel. We are registered under the Companies Law as Valens Semiconductor Ltd., and our registration number with the Israeli Registrar of Companies is 51-388704-2.

We are domiciled in Israel and our registered office is currently located 8 Hanagar St. POB 7152, Hod Hasharon 4501309, Israel, which also currently serves as our principal executive offices, and our telephone number is +972-(9) 762-6900.

On May 25, 2021, PTK entered into the Business Combination Agreement with Valens and Merger Sub. Pursuant to the Business Combination Agreement, Merger Sub merged with and into PTK, with PTK surviving the merger. As a result of the Merger, PTK became a wholly owned subsidiary of Valens, with the securityholders of PTK becoming securityholders of Valens (the “Business Combination”).

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Our capital expenditures amounted to \$1.4 million, \$0.9 million and \$1.4 million during the fiscal years ended December 31, 2021, 2020 and 2019, respectively, primarily consisting of expenditures related to R&D equipment. For information on the Company's current capital expenditures, see "Part I, Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources."

We are subject to certain of the informational filing requirements of the Exchange Act. Our SEC filings are available to you on the SEC's website at <http://www.sec.gov.com>, which contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC (including, in our case, our annual reports on Form 20-F, our reports of foreign private issuer on Form 6-K, any amendments to these reports, as well as certain other SEC filings). We also make available on our website, free of charge, all such SEC filings as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. Our website address is <https://www.valens.com/>. The references to the SEC's and our website are inactive textual references only, and information contained therein or connected thereto is not incorporated into this Annual Report. Since we are a "foreign private issuer," we and our officers, directors and principal shareholders are exempt from certain rules and regulations under the Exchange Act. For more information, see "Part II, Item 10. Additional Information—H. Documents on Display."

## **B. BUSINESS OVERVIEW**

### **Our Mission**

Our mission is to be a leading global provider of semiconductor solutions that power high-speed connectivity over simple wiring infrastructure, enabling cutting-edge innovation in the audio-video, automotive, and other adjacent markets.

### **Our Company**

Valens is a leading provider of semiconductor products, pushing the boundaries of connectivity by enabling long-reach, high-speed video and data transmission for the professional audio-video and automotive industries. Valens' Emmy® award-winning HDBaseT technology is the leading standard in the professional audio-video market, with tens of millions of Valens chipsets integrated into thousands of HDBaseT-enabled products and implemented in millions of audio-video products globally. Valens technology for Automotive is a key enabler of the evolution of autonomous driving, providing chipsets that support Advanced Driver-Assistance Systems ("ADAS"), Automated Driving Systems ("ADS"), infotainment, telecommunications and basic connectivity. Valens' underlying technology has been selected in 2020 by the MIPI Alliance as the basis for the new standard for high-speed automotive video connectivity. In 2021, the IEEE standards association adopted A-PHY in full as one of its own standards and Valens was the first-in-industry to ship engineering samples of its VA7000 chipset, compliant with the MIPI A-PHY Standard, to leading Automotive OEMs and Tier 1s.

### **Audio-Video**

Valens set the standard for long-range connectivity in the audio-video market. The company's HDBaseT technology, supports the digitization of wired connectivity and is used by key leading audio-video product manufacturers, including Crestron, EPSON, Extron, Harman, LG Electronics, Logitech, NEC, Panasonic, Samsung, Siemens, Sony, and many more. These companies have created thousands of electronic devices that embed Valens' HDBaseT technology as part of their connectivity solution, in millions of products globally.

HDBaseT enables the simultaneous delivery of ultra-high-definition digital video and audio, Ethernet, USB, control signals, and power, all through a single low cost, long-reach cable. HDBaseT technology is a hardware-based solution, with no high-level software dependency, enabling true plug-and-play digital connectivity between ultra-HD video sources and remote displays, such as high-resolution projectors and displays.

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As the market leader in long-range connectivity in audio-video, we believe we are well positioned to capitalize on the market's growth, which has accelerated recently following the outbreak of COVID-19. When work from home ("WFH") became the new normal, demand for video conferencing surged, leading to a significant uptick in demand for HDBaseT solutions. As the world has adapted to the hybrid "new normal" that comprises both WFH and work from the office, we expect demand for Valens solutions to continue to grow. This view is based on an increasing need for huddle rooms (which are small and private meeting areas, typically equipped with audio and video conferencing equipment), hybrid education, remote healthcare, industrial and more. Valens' audio-video solutions can be deployed wherever long distance high-definition video systems are required, for time sensitive applications that require zero latency (a few micro-seconds of latency are commonly perceived in the industry as "zero-latency"), with applications spanning the medical, education and industrial sectors.

### *Automotive*

Valens leveraged its strategy to gain a significant first mover advantage, by setting the standard also in the much larger automotive market. The MIPI Alliance—the standardization body controlling important connectivity streams widely used by carmakers around the world – announced in September 2020, a new standard governing automotive connectivity, called MIPI A-PHY<sup>SM</sup>, which is fundamentally based on Valens technology, and is already gaining momentum within the automotive industry. In 2021, the IEEE Standards Association has signed an agreement to facilitate the adoption of A-PHY as an IEEE standard, and leading System on Chip (SoC), camera sensor and cable vendors such as LG Innotek, Mobileye, Sony, Sumitomo Electric and Sunny Optical Technology, have stated that they will integrate A-PHY into their products going forward. Companies that participated in the development of MIPI A-PHY standard include Robert Bosch GmbH, Intel, ON Semiconductor, Qualcomm, ST Microelectronics, MediaTek, Synopsys, Toshiba and others.

Valens provides one of the safest, most resilient, ultra-high-speed in-vehicle connectivity solutions, all transmitted through standard, simple, low-cost, low-weight wires and connectors, enabling advanced electronics architecture in cars. Valens' superior physical layer ("PHY") technology enables powerful bandwidth over long-reach and low-cost infrastructure, while maintaining error-free links (MIPI A-PHY targets worst case Packet Error Rate ("PER") of 1E-19 (10<sup>-19</sup>) which translates to mean-time between packet errors of ~80,000 years for a 16Gbps link) and enhanced electromagnetic compatibility ("EMC") performance, hence providing the safety and resilience required to handle the harsh automotive environment.

The Valens solution is scalable, allowing it to support the evolution of car architecture and the growing need for in-vehicle high-speed connectivity. Valens chipsets address the needs of the increasingly interconnected vehicle computer systems, such as ADAS, ADS, infotainment and telecommunications.

Demand for a global standard for ultra-high-speed in-vehicle connectivity is accelerating. As the automotive industry continues to advance towards the next stages in the evolution of autonomous driving by integrating more cameras, LIDARs, radars, and other sensors for safety applications, the amount of data being generated within the car is rising exponentially. This requires a reliable, high-speed connectivity solution. Valens chipsets will allow OEMs to transmit data at multi-gigabit bandwidth over error-free links with near zero latency, all with the estimated lowest total system cost. Our technology connects mission-critical safety sensors and monitors to effectively transform vehicles into "data centers on wheels" and to uphold high levels of passenger safety.

Valens has made significant inroads in the automotive market. Its high-speed symmetric connectivity solution is the only multi-gigabit connectivity solution over Unshielded Twisted Pair ("UTP") wiring that is currently deployed in vehicles, supporting the aggregation of multiple interfaces for feature-rich infotainment and telecommunications systems. Valens partnered with Daimler to power newer-model Mercedes-Benz's infotainment systems, and both companies are planning on taking advantage of the joint collaboration to empower future cars with unique connectivity solutions.

Furthermore, since the end of 2020, Valens has been working with Stoneridge, a leading designer and manufacturer of highly engineered electrical and electronic vehicle systems, to enhance tractor-trailer safety, through advanced connectivity and vision solutions. Trucks on the road today experience visibility limitations, due, in part, to the inability for existing connectivity technologies to support the level of data transfer needed to appropriately address challenges within the truck and the required length of the link between the tractor and the trailer. The joint solution will transform the commercial vehicle safety environment and reduce operating costs for the fleets.

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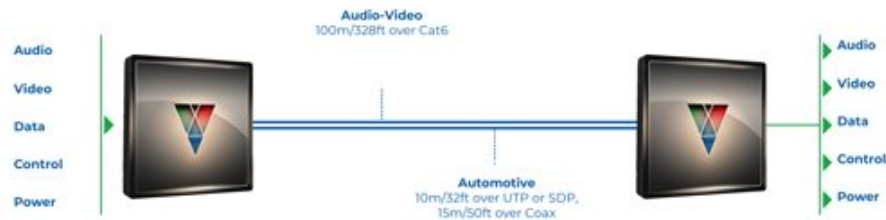
### **Our Technology**

Our technology is not only market-leading, but it has also been adopted and integrated into several industry standards. Our chipsets are helping to advance innovation in the audio-video and automotive industries.

Valens invented the HDBaseT connectivity technology and co-founded the HDBaseT Alliance, together with LG, Samsung, and Sony Pictures, as a standards association promoting HDBaseT technology. HDBaseT provides the most optimized solution for a myriad of verticals and applications, addressing the market connectivity needs for long distance transmission, convergence, low-cost and simplicity. HDBaseT is the global standard for the convergence and distribution of ultra-high-definition video & audio, Ethernet, control signals, USB and up to 100W of power over a single, low cost commonly used cable for up to 328 feet/100 meter. HDBaseT eliminates cable clutter without compromising performance or high quality. The alliance now includes about 200 members that are developing HDBaseT enabled products.

Valens technology was specifically designed to distribute high-speed video and data in challenging EMC environments. With the formation of the Automotive business unit, the technology was adapted to address the needs of the automotive market and was subsequently selected as the baseline of the MIPI Alliance's most recent standard for high-speed video connectivity in cars. Our superior connectivity mechanisms ensure connectivity resilience with "on-line" error correction, adaptive modulation, and real-time noise cancelers. Valens' highly efficient hardware-based solution is optimized for asymmetric links, with no software stack, leading to a simplified architecture, which in turn guarantees reduction in wire harness complexity. The data transmission is done without any compression at zero latency, for very long distances while providing diagnostic capabilities on the link's quality. These are all the foundations of the coming "software defined vehicle" architectures requiring powerful sensor data aggregation and software/data separation.

### **Valens' Connectivity Solution**



We believe the following attributes collectively differentiate our technology:

- Validated as baseline for different connectivity standards, primarily the MIPI A-PHY standard due to the technology's superior performance.
- Multi-gigabit bandwidth with zero-latency and error-free links.
- Years ahead of competitors from a technical perspective.

Given the business opportunities we have identified in both the audio-video and automotive markets, we expect to invest further in research and development of new products to ensure that we maximize our considerable market opportunity.

## Our Strengths

The semiconductor market is highly competitive. As a leader in advanced semiconductor products, we believe that by effectively navigating technology transitions, maintaining close customer relationships and anticipating market trends in our customers' end markets, we have established a leadership position in the audio- video market and are gaining share in the automotive space.

We believe that our competitive advantages are based on the following key strengths:

- *Significant first-mover advantage, setting the industry standard in the two large and growing markets—audio-video and automotive.* We set the standard for long-range connectivity in the audio-video market with our HDBaseT technology and intend to repeat this success in the even larger automotive industry with our A-PHY compliant chipsets. Our solution utilizes the technology that underpins the MIPI A-PHY standard for in-car video connectivity, which has also been adopted by the IEEE standard association extending our potential market reach. In December 2021, we were the first to ship MIPI A-PHY standard chipsets to leading automotive OEMs and Tier 1s.
- *Established technological leadership, strong intellectual property, and system-level expertise.* We believe our technology leadership is based on our strong intellectual property portfolio. Our core competence is in our superior physical (PHY) layer that enables us to provide the most optimized connectivity solution for any application at any speed. Additionally, we believe our integration capabilities coupled with our system-level knowledge, resulting from close customer collaboration, enables us to understand our customers' specific system requirements and more quickly and effectively develop advanced solutions to meet their long-term needs.
- *Leading market position in audio-video connectivity.* We currently serve the major players in the audio-video connectivity space. These companies drive the market trends and we are there to support them in leading the change. COVID-19 has created new trends, which we believe are here to stay. It has increased society's reliance on audio- video connectivity through remote work, education and healthcare. We believe that our leading market position strengthens our ability to continue serving this core market and capitalize on growing demand for connectivity solutions, also in adjacent markets that have risen, such as industrial and transportation, and that will emerge in the future.
- *Our ability to leverage technologies and products from the two business units. Re-purposing of automotive solutions in the audio-video markets.* We are seeing a growing demand from our non-automotive customers for the advanced connectivity products that we designed for automotive applications, allowing us to rapidly expand into new lucrative verticals (such as industrial, enterprise, medical, smart city and smart home), that require high-bandwidth, and zero latency connectivity. We are doing so with minimal R&D investment, by re-purposing our existing automotive and audio-video products to new applications. This expands our offering to an even wider range of customers and applications, and thereby accelerates the return on our development investment. Our ability to leverage technologies and products from the two business units will accelerate our expansion efficiently.
- *Strong relationships with leading automotive OEMs and Tier 1 suppliers.* We currently supply components in mass volume to Daimler, a leading automotive OEM, which embeds our chipsets in multiple platforms across Mercedes-Benz cars, through various Tier 1 suppliers such as Bosch, Continental, Harman, and Molex, and we continue to strengthen these relationships. As ADAS and ADS systems become mainstream, we believe that our strong connections in the automotive space will enable us to achieve success and grow our automotive business. We have also partnered with Stoneridge, a leading truck technology manufacturer to solve a tractor trailer connectivity challenge.
- *Proven management team:* We have a strong track record of execution and an experienced management team. Our executive management team's experience in effectively guiding companies through various industry cycles and technology transitions provides us with steady, reliable leadership, uniquely capable of identifying strong investments, executing through change, and maintaining stability during market uncertainty.



## **Our Growth Opportunities/Strategies**

We intend to grow our business through the following key areas:

- *Expand our addressable market, in large, growing, and disruptive industries*, by introducing our technology, creating and becoming the de facto choice of the new industry standards, thereby attracting dominant industry players, to establish a broad echo system and ultimately increase the overall addressable market.

### **Audio-Video:**

- Valens' HDBaseT technology is a leading standard for long-reach, high performance connectivity. The HDBaseT Alliance now boasts approximately 200 member companies promoting the use of this technology in the audio-video market. Valens helps the HDBaseT Alliance to strengthen its relationships with end customers, safeguard the quality of HDBaseT-enabled products, and educate the market on the technology by generating continuous awareness and demand for these products. HDBaseT provides the most optimized solution for a myriad of verticals and applications, addressing the needs of the audio-video market, including long distance transmission, convergence, low-cost and simplicity.
- Expand into other audio-video adjacent markets. We intend to continue expanding our offerings in audio-video adjacent markets including the industrial (camera sensors and computer vision systems), remote healthcare (medical imaging, diagnostic and surgical equipment, operating room video) and transportation spaces. We believe that as the need for higher connectivity bandwidth and lower cost alternatives for these applications increases, there will be significant opportunity to expand our business and customer base.

### **Automotive:**

- The MIPI A-PHY standard, announced in September 2020, was developed to address a need for higher bandwidth and performance requirements. Existing analog-based technologies can no longer meet these requirements as they lack digital signal processing (DSP) capabilities, are not scalable, and are incapable of increasing speed over longer cables. The MIPI A-PHY standard is optimized for the implementation of in-vehicle connectivity for high bandwidth applications. The specification reduces wiring cost and weight, as high-speed data, control data, and power all share the same physical wiring. This enables designers to optimize systems for performance, cost, and complexity required by their use cases and provides scalability and flexibility to meet a broad range of speed and design needs. The MIPI A-PHY standard serves as the foundation of "software defined vehicle" architectures and systems designed to decouple software stacks from the hardware infrastructure and simplify the integration of various sensors and displays, while also incorporating functional safety and security.
- The new MIPI A-PHY standard was developed by the MIPI A-PHY Working Group; Valens was a key contributor to the definition of this standard, which is largely based upon Valens technology. We believe that the adoption of this connectivity standard by OEMs and Tier 1s, as well as other automotive technology suppliers will position A-PHY-based solutions as the leading high-speed connectivity solution in cars. Adoption of A-PHY will be driven in part by the fact that available legacy solutions for in-vehicle video connectivity are proprietary, while the market is looking to deploy standard-based products.
- Valens' second automotive generation, the VA7000 product family, is the first on the market to comply with the recent MIPI A-PHY standard, positioning us to capture automotive opportunities for ADAS, ADS and other surround-sensor applications, including cameras, RADARs, and LIDARs. The VA7000 product family is a hardware-based solution, optimized for asymmetric links with no software stack. It guarantees a high-performing, simplified architecture, leading to a reduction in wire harness complexity and lower total system costs. The current VA7000 family has been designed to support a wide range of bandwidth levels as defined in the MIPI A-PHY standard.



**General:**

- *Grow our audio-video and automotive market offerings.* In the audio-video market, we are continuously increasing the silicon integration of key features required to simplify the total solution we offer. Valens intends to support higher video resolutions (e.g. 8K) and develop extension products for advanced USB generations (USB 3.2), advanced network topologies and a variety of new interfaces in our next generation products. In automotive, we intend to continue to provide solutions as the market undergoes powerful structural change in favor of greater electronic and data-processing capabilities, particularly in the application of our products to ADAS and ADS systems. We believe our focus on meeting or exceeding industry standards as the baseline for product development increases our opportunity in the automotive market as customers look for trusted suppliers to deliver standard- backed, highly reliable, safety-focused solutions for this rapidly growing market. We intend to introduce complimentary products to support end-to-end connectivity solutions for all high-speed connectivity applications required in the car. In the audio-video market, we see the need for more feature integration as well as increased video resolution, to support the growing demands of next generation products.
- *Continue to improve our gross margins through product innovation and cost optimization.* We strive to improve our profitability by rapidly introducing new products with value-added features (e.g. the Valens Stello™ (VS3000), that captures more of the customers’ products “silicon budget” by higher level of features integration within our product, and reducing our manufacturing costs through our asset-light manufacturing model. We will continue to improve our product mix by developing new products for growth markets where we believe we can generate higher ASPs and/or gross margins. We believe we can reduce our manufacturing costs by leveraging the advanced manufacturing capabilities of our strategic supply chain suppliers, implementing more cost- effective packaging technologies, and leveraging both internal and external assembly and test capacity to lower our operating costs, enhance reliability of supply, and support our continued growth.
- *Expand our global presence.* We sell our products globally, both directly and through a wide range of local distributors. We intend to continue strengthening our relationships with our existing customers and distributors, while also enabling our channel partners to support demand creation and fulfillment for smaller customers. We believe we can efficiently scale our business to accelerate growth by enabling our channels to become an extension of our demand generation and customer support efforts. Our operations are global and we intend to continue expanding our presence worldwide to serve the needs of customers in additional geographies. We are currently investing in select regions in North America, Europe and multiple countries in the APAC region.

**Company Products**

Our product portfolio includes over 20 products across a range of high-performance semiconductors and other components that are in turn integrated in a range of technological applications, including:

	Audio-Video	Automotive
<b>CHIPSETS</b>	<ul style="list-style-type: none"><li>• <b>VS100™ family</b> – Valens’ first chipsets, which revolutionized the audio-video market by enabling transmission of uncompressed ultra-high-definition video, audio, control and power, with near-zero latency, over a single LAN cable, according to the HDBaseT Alliance’s Spec 1.0.</li><li>• <b>VS2000™ family (Colligo™)</b> - Second generation of HDBaseT chipsets (Spec 2.0), supporting the transmission of ultra-HD video &amp; audio, Ethernet, controls, USB 2.0, and power, over either a LAN cable or fiber cable, with near-zero latency. The family enables point-to-point, daisy-chaining, and multi-streaming.</li><li>• <b>VS3000™ family (Stello™)</b> - The first and only ASIC in the industry that enables the long-distance transmission of uncompressed 4K@60Hz 4:4:4. It enables transmission of</li></ul>	<ul style="list-style-type: none"><li>• <b>VA6000™ family</b> – Valens’ first generation of chipsets for Automotive. The highest bandwidth long-reach symmetric solution deployed in vehicles today, supporting the aggregation of multiple interfaces for feature-rich infotainment and telematics systems. The chipsets are designed to deliver resilient, multi-gig, long-distance connectivity over the simplest wiring and connector infrastructure. During December 2021, we taped out VA6003, a derivative product of the VA6000, which brings significant power reduction, with a very efficient cost performance. It is designed to fit advanced infotainment use-cases and next generation of telecommunication units and smart antennas, requiring low power and resilient connectivity.</li></ul>

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HDMI 2.0 (18Gbps) including HDCP, based on Spec 3.0 of HDBaseT technology, convergence of audio & video, 1Gbps Ethernet, USB 2.0, controls and power, with near-zero latency, over a category cable (e.g. Cat 6A).

- **VA6000™ family** - Small-form factor chipset; a cost-effective and flexible solution that enables the convergence of multiple interfaces, including audio (I2S, S/PDIF), Ethernet, USB 2.0 and controls with near-zero latency, over a single unshielded twisted pair cable.

### **Audio-Video**

#### **APPLICATIONS**

- Signage – distribution from content source to large high-resolution displays, projectors, video walls.
- Collaboration hubs and cameras used in video conferencing systems.

### **Audio-Video**

#### **USE CASES**

- Distribution—video and audio distribution products such as matrixes, switches, extenders used in Enterprise, Government, and Education, etc. applications.
- Remote healthcare, including high resolution medical imaging and video distribution of medical equipment to large displays.
- Transportation—Infotainment displays in mass transportation like train and bus platforms as well as inside the train/bus.
- Education – typically distribution of teacher laptop to projector; can also include USB extension for web camera, portable storage, etc.
- Remote operation, such as KVM (Keyboard, Video, Mouse) extension; very popular in data centers, and industrial machinery operations, enabling a remote operator to a control PC/machine.

**VA7000™ family** – Second generation of Valens’ automotive chipsets, which supports connectivity of CSI-2-based cameras, RADARs, LIDARs, and other sensors, with link speeds of up to 8Gbps. Operates over standard, cost-effective, in-vehicle wires for up to 15 meters (50 feet), with 4 inline connectors. First product on the market that complies with the new MIPI A-PHY standard, and first to support multi-gig connectivity over low- cost unshielded cables and connectors.

### **Automotive**

- AD & ADAS systems (e.g. RADARs, LIDARs, Cameras, Sensor hubs, zonal controllers, Driver monitoring systems, etc.).
- Body & chassis, door, truck and trailer connectivity.

### **Automotive**

- Infotainment: display and multimedia box, digital cockpit controllers.
- ECU to ECU connectivity.
- Internal cameras.

## **Our Platform for Digital Properties**

We primarily manufacture our products through contract manufacturers in Taiwan and Europe. As of today, all our silicon wafers, which are the basic element of any semiconductor product, are designed to be manufactured at TSMC, the largest foundry in the world. The wafers are then transferred to the assembly house where they are processed and many chips are manufactured from each wafer. These chips are then packaged and transferred for final testing. This is the phase where all chips are tested in accordance with specially designed programs developed specifically for each product family. Along the product life cycle, we continuously invest in the improvement of testing in order to enhance manufacturing yield and reduce chip costs.

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Despite the current global shortage in the semiconductor products, derived mainly from macro trends such as strong demand for 5G and high-performance computing, as well as the COVID-19 pandemic, we have succeeded in managing our inventory and have not had delays in fulfilling our obligations to customers. We have managed to do this utilizing two main strategies:

- *Risk Averse and accurate planning* – Even before the shortage, Valens took a conservative approach to inventory management. The trigger for the purchase of inventory for Valens has not exclusively been based on customer purchase orders, but rather on a combination of our assessments of demand based on purchase orders and forecasts of demand from our sales teams.
- *Capturing capacity allocation from the supply chain vendors* – Amid the shortage, we have made necessary adjustments to our supply and demand planning, with the goal of capturing capacity allocation within the supply chain vendors. In order to do so, during 2021, we have placed longer- term purchase orders for raw materials and manufacturing services, even into 2022. We believe that the inventory levels incurred as of the end of 2021 will be consumed during 2022.

Although the global silicon shortage has affected every company in the semiconductor industry, Valens is well positioned to emerge from this situation stronger without any material adverse business impact and a satisfied customer base.

### **Sales, Marketing and Customer Support**

We sell our products worldwide through multiple sales channels, including through our direct sales force and through distributors and independent sales representatives, which resell our products to numerous end customers. Approximately 54% and 50% of our net sales in fiscal years 2021 and 2020, respectively, were made to distributors.

Our direct sales force and applications engineers provide our customers with specialized technical support. We believe that maintaining a close relationship with our customers and serving their specific technical needs improves their level of satisfaction and enables us to anticipate and influence their future product needs. We provide ongoing technical training to our distributor and sales representatives to keep them informed of our existing and new products.

We maintain an internal marketing organization, which is responsible for increasing our brand awareness and promoting our products to prospective customers and partners. This includes the creative management of our website, market research and analytics, and development of demand generation strategies and materials such as product announcements, press releases, brochures, training and videos, as well as securing thought leadership through published technical and trend articles and advertisements, and active engagement in key industry events.

### **Customers**

Our installed customer base consists of major technology firms in the audio-video space and Tier 1 part suppliers in the automotive industry. In the audio-video vertical, we have served the leading manufacturers of video distribution equipment, displays, projectors, industrial equipment, and healthcare equipment for many years. We have a wide distribution of our revenues across our more than 100 customers. In 2021 and 2020, our three largest customers, in each year, collectively represented approximately 30% and 39% of our total revenue, respectively.

In the automotive space, while we promote our products to the OEMs who are in most cases the final decision makers on the technology that will be deployed in their cars, as well as to Tier 2 automotive suppliers, actual sales are made to Tier 1s. Our contracts are typically based on short-term purchase orders.

### **Competition**

The semiconductor industry is highly competitive and is characterized by constant and rapid technological change. Our ability to compete in this industry depends on many factors, including our ability to identify emerging markets and technology trends in an accurate and timely manner, introduce new and innovative technologies and products, implement advanced manufacturing technologies at a sustainable pace, maintain the performance and quality of our products, and manufacture our products in a cost-effective manner.

## **Intellectual Property**

We consider the strength of our intellectual property portfolio to be our most significant competitive advantage. The protection of our technology, intellectual property and proprietary rights is therefore an important aspect of our business. We rely on a combination of patent, trade secret, trademark and copyright laws, confidentiality agreements, and technical measures to establish, maintain and protect our intellectual property rights and technology. We currently have 117 patents issued, and 9 patent applications pending. Our patents are in a wide variety of areas relevant to our products, specifically covering our innovation in the areas of convergence of multiple-data types/multi-stream over the same wires and robust operation under severe electromagnetic interference.

Our in-house know-how is an important element of our intellectual property. The development of technological solutions requires sophisticated coordination among many specialized employees. We believe that duplication of this coordination by competitors or individuals seeking to copy our platform would be difficult. The risk of a competitor effectively replicating the functionality of our platform is further mitigated by the fact that our service product offerings do not include exposure of source code, as our solution is based on hardware (integrated circuits) and software that is delivered as binary code.

We cannot guarantee that any of our pending patent or trademark applications will be granted, that our current or subsequently issued patents or trademarks will be effective to protect our intellectual property rights, that any of our pending patent applications will result in issued patents, that any of our intellectual property rights will provide us with any meaningful competitive advantages, or that others will not infringe, misappropriate or violate our intellectual property rights. In addition, while there is no active litigation involving any of our patents or other intellectual property rights, we may be required to enforce or defend our intellectual property rights against third parties in the future.

## **Regulation**

Our operations are subject to various environmental, labor, health, safety and other laws and regulations in Israel, the United States and other jurisdictions in which we operate. We are also required to obtain authorizations or licenses from governmental authorities for certain of our operations and have to protect our intellectual property worldwide. In the jurisdictions in which we operate, we need to comply with differing standards and varying practices of regulatory, tax, judicial and administrative bodies for joint and several costs associated with investigation and remediation of sites at which we have arranged for the disposal of hazardous wastes if such sites become contaminated, even if we fully comply with applicable environmental laws and regulations. We are also subject to various federal, state, local, international and non-U.S. laws and regulations relating to occupational health and safety. Any failure on our part to comply with these laws and regulations may subject us to significant fines or other civil or criminal costs, obligations, sanctions or property damage or personal injury claims, or suspension of our facilities' operating permits. Compliance with current or future environmental and occupational health and safety laws and regulations could restrict our ability to expand our business or require us to modify processes or incur other substantial expenses which could harm our business.

As part of our business development, we also collect information about individuals, also referred to as personal information, and other potentially sensitive and/or regulated data from our customers. Laws and regulations in Israel, the United States and around the world restrict how personal information is collected, stored, used, disclosed, and otherwise processed, as well as, among other things, set standards for its security, implement notice requirements regarding privacy practices, and provide individuals with certain rights regarding the use, disclosure and sale of their protected personal information.

For example, in the United States, various federal and state regulators, including governmental agencies like the Federal Trade Commission, or the FTC, have adopted, or are considering adopting, laws and regulations concerning privacy, data protection and information security. Certain state laws may be more stringent or broader in scope, or offer greater individual rights, with respect to personal information than federal, international or other

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state laws, and such laws may differ from each other, all of which may complicate compliance efforts. For example, the California Consumer Privacy Act of 2018, or the CCPA, which increases privacy rights for California residents and imposes obligations on companies that process their personal information (including device identifiers, IP addresses, cookies and geo-location), came into effect on January 1, 2020. Among other things, the CCPA requires covered companies to provide new disclosures to California consumers and provide such consumers new data protection and privacy rights, including the ability to opt-out of certain sales of personal information. The CCPA provides for civil penalties for violations, as well as a private right of action for certain data breaches that result in the loss of personal information. Additionally, voters approved a new privacy law, the California Privacy Rights Act, or the CPRA, in the November 2020 election. Effective starting on January 1, 2023, the CPRA will significantly modify the CCPA, including by expanding consumers' rights with respect to certain sensitive personal information. Virginia and Colorado have also recently adopted comprehensive data privacy laws similar to the CCPA, which will go into effect in January and July of 2023, respectively. State laws are changing rapidly and there is discussion in Congress of a new comprehensive federal data privacy law to which we would become subject if it is enacted. Internationally, laws, regulations and standards in many jurisdictions apply broadly to the collection, use, retention, security, disclosure, transfer and other processing of personal information. For example, the GDPR, which became effective in May 2018, greatly increased the European Commission's jurisdictional reach of its laws and adds a broad array of requirements for handling personal data (including online identifiers and location data). EU member states are tasked under the GDPR to enact, and have enacted, certain implementing legislation that adds to and/or further interprets the GDPR requirements and potentially extends our obligations and potential liability for failing to meet such obligations. The GDPR, together with national legislation, regulations and guidelines of the EU member states governing the processing of personal data, impose strict obligations and restrictions on the ability to collect, use, retain, protect, disclose, transfer and otherwise process personal data. In particular, the GDPR includes obligations and restrictions concerning the consent and rights of individuals to whom the personal data relates, the transfer of personal data out of the European Economic Area, security breach notifications and the security and confidentiality of personal data. The GDPR authorizes fines for certain violations of up to 4% of global annual revenue or €20 million, whichever is greater. In addition, some countries are considering or have passed legislation implementing data protection requirements or requiring local storage and processing of data or similar requirements that could increase the cost and complexity of delivering our services. The withdrawal of the United Kingdom from the European Union also has created uncertainty with regard to the regulation of data protection in the United Kingdom. Since January 1 2021, when the transitional period following Brexit expired, we have been required to comply with the GDPR as well as the UK GDPR (combining the GDPR and the UK's Data Protection Act of 2018), which exposes us to two parallel regimes, each of which authorizes similar fines and may subject us to increased compliance risk based on differing, and potentially inconsistent or conflicting, interpretation and enforcement by regulators and authorities (particularly, if the laws are amended in the future in divergent ways).

In addition, in Israel, the Privacy Protection Law, 5741-1981 ("PPL"), and the regulations enacted thereunder, including the Privacy Protection Regulations (Data Security), 5777 2017 ("Data Security Regulations"), as well as guidelines issued by the Israeli Privacy Protection Authority, and Amendment No. 40 to the Communications Law (Telecommunications and Broadcasting), 5742-1982, impose obligations with respect to the manner certain personal data is processed, maintained, transferred, disclosed, accessed and secured. Failure to comply with the PPL, its regulations and guidelines issued by the Israeli Privacy Protection Authority may expose us to administrative fines, civil claims (including class actions) and in certain cases criminal liability.

Current pending legislation may result in a change of the current enforcement measures and sanctions and may also require us to modify the manner personal data is collected, processed and maintained by us. The Israeli Privacy Protection Authority may initiate administrative inspection proceedings, from time to time, without any suspicion of any particular breach of the PPL, as it has done in the past with respect to dozens of Israeli companies in various business sectors. In addition, to the extent that any administrative supervision procedure is initiated by the Israeli Privacy Protection Authority and reveals certain irregularities with respect to our compliance with the PPL, in addition to our exposure to administrative fines, civil claims (including class actions) and in certain cases criminal liability, we may also need to take certain remedial actions to rectify such irregularities, which may increase our costs.

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Restrictions on the collection, use, sharing, disclosure or other processing of personal information or additional requirements and liability for security and data integrity could require us to modify our solutions and features, possibly in a material manner, could limit our ability to develop new products and features and could subject us to increased compliance obligations and regulatory scrutiny. See “*Risk Factors—Risks Related to Laws and Regulation.*”

### **Human Capital**

As of December 31, 2021, we had 263 full-time employees, primarily based in Israel. Our research and development team draws from a broad spectrum of backgrounds and experiences, across technology, with strong engineering, analog mix signal, DSP, VLSI and software capabilities. We foster an entrepreneurial culture so that we may remain focused and innovative over time, as we strive to serve our customers with openness, transparency and humility.

### **Facilities**

Our principal executive office is located in Hod Hasharon, Israel. In addition to our Israeli headquarters, we have offices in the northern part of Israel, in the United States, Asia and Europe. We lease each of our offices. We believe that our current facilities are adequate to meet our immediate needs.

### **Legal Proceedings**

From time to time, we are a party to various litigation matters incidental to the conduct of our business. We are not presently party to any legal proceedings the resolution of which we believe would have a material adverse effect on our business, prospects, financial condition, liquidity, results of operation, cash flows or capital levels.

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### C. ORGANIZATIONAL STRUCTURE

The Company has subsidiaries in the United States, China, Germany and Japan, which are listed below as of December 31, 2021 (all subsidiaries are 100% owned by Valens Semiconductor Ltd.)

<u>Name of Subsidiary</u>	<u>Jurisdiction of Organization</u>
Valens Semiconductor Inc.	U.S. (Delaware)
Valens Merger Sub Inc.	U.S. (Delaware)
Valens Trading (Shanghai) Co. Ltd.	China
Valens Semiconductor GmbH	Germany
Valens Japan Ltd.	Japan

### D. PROPERTY, PLANTS AND EQUIPMENT

Our corporate headquarters is located in Hod Hasharon, Israel, where we occupy an office space totaling approximately 59,201 square feet (5,500 square meter), under a lease agreement that expires in February 2023, with an option to extend the lease until February 2025.

In addition, we have offices in:

1. Texas, USA, where we occupy an office space totaling approximately 1,516 square feet, under a lease agreement that expires in December 2024.
2. Tokyo, Japan, where we occupy an office space totaling approximately 280 square feet, under a lease agreement that expires in November 2023.
3. Shenzhen, China, where we occupy an office space totaling approximately 2,152 square feet, under a lease agreement that expires in October 2022.

As we work in a fabless model, i.e., all production is made by third-party contractors, our offices outside of Israel support functions across sales and marketing, services, research and development, operations and administration.

### E. UNRESOLVED STAFF COMMENTS

Not applicable.

## ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

### A. OPERATING RESULTS

*This operating and financial review should be read together with the section captioned “Part I, Item 4, Information on the Company—B. Business Overview” and our consolidated financial statements and the related notes to those statements prepared in accordance with U.S. GAAP and included elsewhere in this Annual Report. Among other things, those financial statements include more detailed information regarding the basis of preparation for the following information. This discussion contains forward-looking statements that involve risks and uncertainties. As a result of many factors, such as those set forth under “Part I, Item 3.D. Risk Factors” and elsewhere in this Annual Report, our actual results may differ materially from those anticipated in these forward-looking statements. Please see “Special Note About Forward-Looking Statements and Risk Factor Summary” in this Annual Report.*

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*Certain information called for by this Item 5, including a discussion of the year ended December 31, 2020 compared to the year ended December 31, 2019 has been reported previously in our final prospectus filed pursuant to Rule 424(b)(3) on October 27, 2021 under the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.*

### **Overview**

Valens Semiconductor is a leading provider of semiconductor products, pushing the boundaries of connectivity by enabling long-reach, high-speed video and data distribution for the professional audio-video and automotive industries. Valens’ Emmy® award-winning HDBaseT technology is the leading standard in the professional audio-video market, with tens of millions of Valens chipsets integrated into thousands of HDBaseT-enabled products. Valens technology for Automotive is a key enabler of the evolution of autonomous driving, providing chipsets that support Advanced Assistance-Driver Systems (ADAS) Automated Driving Systems (ADS), infotainment, telecommunications, and basic connectivity. Valens’ underlying technology has been selected by the MIPI Alliance as the basis for the new standard for high-speed automotive video connectivity.

#### *Audio-Video*

Valens set the standard for long-range connectivity in the audio-video market. The company’s HDBaseT technology supports the digitization of wired connectivity and key leading audio-video product manufacturers, including Crestron, EPSON, Extron, LG Electronics, Logitech, Panasonic, Samsung, Sony and many more. These companies have created thousands of electronic devices that embed Valens’ HDBaseT technology as part of their connectivity solution, empowering millions of products.

HDBaseT enables the simultaneous delivery of ultra-high-definition digital video and audio, Ethernet, USB, control signals, and power, all through a single low cost, long-reach cable of up to 100 meters (328 feet). HDBaseT technology is a hardware-based solution, with no high-level software dependency, enabling true plug-and-play digital connectivity between ultra-HD video sources and remote displays, such as high-resolution projectors and displays.

As the market leader in long-range connectivity in audio-video, we believe we are well positioned to capitalize on the market’s growth, which accelerated following the breakout of COVID-19. Work from Home (“WFH”) became the new normal, and demand for video conferencing surged, leading to a significant uptick in demand for HDBaseT solutions. As the world adapts to the hybrid new normal, that comprises both offsite/remote and onsite presence, the demand for solutions such as huddle rooms, hybrid education and remote healthcare increases, and we expect the demand for our audio-video solutions to continue to grow significantly. Valens’ audio-video solutions can be deployed wherever long-distance high-definition video systems are required, for time-sensitive applications that require zero latency ( a few micro-seconds of latency are commonly perceived in the industry as zero-latency), with applications spanning the medical, education, transportation, and industrial sectors.

#### *Automotive*

After setting the standard in the audio-video market, Valens did the same in the much larger automotive market, providing it a first mover advantage. The MIPI Alliance – the standardization body controlling vital connectivity streams, widely used by car makers around the world, announced in September 2020 a new standard governing automotive connectivity, called MIPI A-PHY, which is fundamentally based on Valens technology.

MIPI A-PHY is already gaining momentum within the automotive industry. In 2021, the IEEE Standards Association has adopted A-PHY as an IEEE standard, and leading System on Chip (SoC) and camera sensor vendors such as Mobileye, LG Innotek, Sony, Sunny Optical have stated that they will integrate A-PHY into their products going forward. Companies that participated in the development of MIPI A-PHY standard include Bosch, Intel, ON Semiconductor, Qualcomm, ST and Toshiba.



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Valens is the first-in-industry to ship engineering samples of MIPI A-PHY compliant chipsets. As of December 2021, Valens has started to ship samples of its VA7000 product family to select customers and partners, and in January 2022, has announced that it is shipping engineering samples of the VA7000 chipset family to more than 25 automotive customers and partners, including four leading automotive original equipment manufacturers (OEMs) and more than 10 Tier-1 prospective customers, for evaluation and integration into their platforms. Valens provides one of the safest, most resilient, ultra-high-speed in-vehicle connectivity solutions, all transmitted through standard, simple, low-cost, low-weight wires and connectors, enabling advanced electronics architecture in cars. Valens' superior physical layer ("PHY") technology enables powerful bandwidth over long-reach and low-cost infrastructure, while maintaining error-free links (MIPI A-PHY targets worst case Packet Error Rate ("PER") of 1E-19 (10<sup>-19</sup>) which translates to mean-time between packet errors of ~80,000 years for a 16Gbps link) and enhanced electromagnetic compatibility ("EMC") performance, hence providing the safety and resilience required to handle the harsh automotive environment.

The Valens solution is scalable, allowing it to support the evolution of car architecture and the growing need for in-vehicle high-speed connectivity. Valens chipsets address the needs of the increasingly interconnected vehicle computer systems, such as ADAS, ADS, infotainment, and telecommunications and enables the software-defined vehicles of the future, in which the quantity and value of software and electronic hardware exceeds that of the mechanical hardware.

The demand for a global standard for ultra-high-speed in-vehicle connectivity is accelerating. As the automotive industry continues to advance towards the next stages in the evolution of autonomous driving by integrating more cameras, LIDARs, and other sensors for safety applications, the amount of data being generated within the car is rising exponentially. This requires a reliable, high-speed connectivity solution. Valens chipsets will allow OEMs to transmit data at multi-gigabit bandwidth over error-free links with near zero latency, all with the estimated lowest total system cost. Our technology connects mission critical safety sensors and monitors, to effectively transform vehicles into "data centers on wheels" and to uphold high levels of passenger safety.

Valens has made significant inroads in the automotive market. Its high-speed symmetric connectivity solution is the only multi-gigabit connectivity solution over Unshielded Twisted Pair ("UTP") wiring that is currently deployed in vehicle, supporting the aggregation of multiple interfaces for feature-rich infotainment and telecommunications systems. Valens partnered with Daimler to power newer-model Mercedes-Benz's infotainment systems, and both companies are planning on taking advantage of their collaboration to empower future cars with unique connectivity solutions.

### **Business Combination Agreement**

On May 25, 2021, we and one of our subsidiaries entered the Business Combination Agreement. Under this Business Combination Agreement, our subsidiary merged with and into PTK, with PTK continuing as the surviving company and becoming our direct, wholly owned subsidiary. The Business Combination Agreement and the related transactions were unanimously approved by both our board of directors and the Board of PTK. The Business Combination closed on September 29, 2021, after receipt of the required approval by our shareholders and PTK's shareholders and the fulfillment of certain other conditions. In connection with the Business Combination Agreement, we also issued 12,500,000 ordinary shares to certain qualified institutional buyers and accredited investors that agreed to purchase such shares for aggregate consideration of \$125.0 million.

### **Key Factors and Trends Affecting our Performance**

We believe that our performance and future success depend on several factors that present significant opportunities for us but also pose risks and challenges, including those discussed below and in the section entitled "*Risk Factors.*"

## Design Wins with New and Existing Customers

Valens' technology is a key enabling technology for both automotive OEMs and for audio-video applications. Since our solutions are sold as part of a broader platform developed by the OEMs and system vendors, it is critical that we achieve a deep level of cooperation, partnership and joint planning by technical and strategic teams to win designs with these customers. Our audio-video and automotive customers are continuously developing new products in existing and new application areas, and we work closely with them to understand their product roadmaps and strategies. The time required to achieve design wins varies based on the market and application. The design cycle in the automotive market tends to be substantially longer and more onerous than in the audio-video market. For new products, the time from design initiation and manufacturing until we generate revenue can be lengthy, typically within three years in the audio-video market and up to five years in the automotive space. As a result, our future revenue is highly dependent on our continued investment in new products and our success at winning design awards from our customers. We consider design wins to be critical to our future success and anticipate being increasingly dependent on revenue from newer design wins for our newer products. The selection process is typically lengthy and may require us to incur significant design and development expenditures in pursuit of a design win with no assurance that our solutions will be selected. As a result, the loss of any key design win or any significant delay in the ramp-up of volume production of the customer's products into which our product is embedded could adversely affect our business. In addition, volume production is contingent upon the successful market introduction and acceptance of our customer's end products, which may be affected by several factors beyond our control.

In the audio-video space, Valens continues to gain new design wins with both its legacy products (VS1xx and VS2xxx) that are matured products, and as of 2021, Valens is focused on achieving design wins for its newest, third generation, product the VS3000 (aka "Stello™"). The VS3000 is one of the most advanced, highly integrated chipsets for high bandwidth (e.g., uncompressed HDMI2.0) long-range connectivity solutions in the market. Clear evidence of the uniqueness and value of the VS3000 is the traction we are experiencing in the market. Within the first twelve months of its introduction, over 30 companies have already engaged in the design of new products based on this chip and we expect more than 100 new products to embed this chipset in 2022, with sales to ramp up gradually. The VS3000's versatility will enable our customers to innovate and build differentiated products across a number of industries, including the growing video conferencing, digital signage, education, medical imaging and industrial verticals.

In the automotive space, Valens has a design win with Daimler for the connectivity of certain infotainment systems. Starting in September 2020, our products have been deployed in mass production with select Daimler car models, and we expect our solution to be added to most of its car models in the coming years. While Daimler selected our technology for use in its cars, Valens sells its products to certain Tier 1 suppliers that serve Daimler for this project. This design win was followed by another contract that was signed at the end of 2020 with Stoneridge Inc., a leading designer and manufacturer of highly engineered electrical and electronic vehicle systems for the trucking industry. The target application in this engagement between Valens and Stoneridge is a connectivity solution related to vision and safety systems in tractor trailers to address safety-critical issues in the trucking industry by connecting a camera from the rear of the trailer to a display unit in the driver's cab over existing and new cable infrastructure. This solution solves a critical safety hazard for the truck industry related to visibility limitations, due in part to the inability for existing connectivity technologies to support the level of data transfer needed to appropriately address challenges within the truck and the required length of the link between the tractor and the trailer. We believe that initial revenues from this contract will begin in 2022 and will increase in 2023 and onwards.

With respect to future business opportunities, Valens is mainly focused on achieving design wins for its new VA7000 chipset family and was first in the market to ship engineering samples of MIPI A-PHY standard chipsets to leading automotive OEMs and Tier 1s. MIPI A-PHY was developed to address the need for higher bandwidth and performance requirements that existing analog-based technologies can no longer meet as they lack digital signal processing (DSP) capabilities with no scalability to increase speed over longer cables. In addition to automotive uses, the VA7000 chipset family is well suited for applications in markets served by the Audio-Video business unit such as medical, industrial and Internet of Things ("IoT").

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### **Continuing to Acquire New Customers**

Our operating results and growth opportunity depend, in part, on our ability to attract new customers. We currently have over 100 paying customers, and we continue to focus our efforts on growing the number of customers that use our products.

In the audio-video and automotive markets, we continuously seek to better connectivity solutions at higher speeds, low to zero latency and lower costs, as we expect an increased demand for our semiconductor products. We believe this creates significant opportunities among addressable customers worldwide due to several market drivers, as detailed below.

In the automotive business, the use of an increasing number of sensors, cameras and displays in the vehicle in conjunction with the shift towards the software-defined vehicles, is driving the unprecedented demand for high-speed connectivity and data processing capabilities. The amount of data distributed and processed throughout the vehicle has resulted in enormous bandwidth requirements. This bandwidth is expected to continue to grow exponentially in the coming years, to the extent that cars continue to evolve as a “data center on wheels”. In light of the fact that more ADAS systems are being deployed in cars, together with an increasing volume of electronic hardware components to support the software-defined vehicles, and as this trend continues to accelerate, with the eventual goal of reaching the “holy grail” of autonomous driving, high-speed and error-free links with zero latency will be of the utmost importance. The need for even greater passenger safety remains a top priority for OEMs. This is driving the trend for integrating more ADAS systems in each vehicle, increasing the number and different types of sensors (cameras, radars and LIDARs), high resolution displays and other high-speed connections, all of which are required to ensure safety in cars and ultimately, in the autonomous cars. Valens is completely agnostic as to the types of sensors being deployed in cars, since they all require long-reach high-speed connectivity and, more importantly, zero latency in order to detect and act upon safety events within microseconds.

In the audio-video business, COVID-19 has created business opportunities for Valens. With the growing need for social distancing, video conferencing has become the new normal in many different aspects of our lives and does no longer seem to be a passing trend, but rather a new reality that is expected to stay. Video conferencing is now prevalent in enterprise, education, medical markets, and industrial applications. Valens’ Audio-Video chipsets, support zero-latency extension of audio and video, as well as USB, power and control signals embedded in products, all require an enhanced and seamless user experience and are key contributors to the hybrid market environment.

### **Customer Demand, Orders and Forecasts**

Demand for our products is highly dependent on market conditions in the end markets in which our customers operate, including the audio-video and automotive markets, which are subject to competitive conditions. In addition, a substantial portion of our total net sales is derived from sales to customers that purchase large volumes of our products. These customers generally provide decent visibility, by providing periodic forecasts of their requirements, but these forecasts are non-binding, and customers can revise these forecasts without penalty. In addition, changes in forecasts or the timing of orders from customers exposes us to the risks of shortages or excess inventory.

### **Product and Research & Development**

We view research and development expenditures as investments that enable us to grow our business over time. These investments consist primarily of costs incurred in performing research and development activities including compensation, pre-production engineering mask costs, engineering services, development tools cost, third parties’ intellectual property license fees, depreciation of equipment, prototype wafers, packaging, test costs as well as overhead costs. Development of a product is deemed complete when it is qualified through reviews and tests for performance and reliability. Subsequent to product qualification, product costs are included in cost of goods sold.

## **Impact of COVID-19**

On March 11, 2020, the World Health Organization designated the outbreak of a novel strain of coronavirus (“COVID-19”) as a global pandemic. Governments and businesses around the world have taken unprecedented actions to mitigate the spread of COVID-19, including imposing restrictions on movement and travel such as quarantines and shelter-in-place requirements, and restricting or prohibiting outright some or all commercial and business activity. These types of measures, among others, though temporary in nature, may become more severe and continue indefinitely depending on the evolution of the COVID-19 pandemic. Although there are effective vaccines for COVID-19 that have been approved for use since late 2020, and most of our employees have been vaccinated, new variants of the virus appear to have increased transmissibility, which may complicate treatment and vaccination programs. Accordingly, concerns remain regarding additional surges of the pandemic or the expansion of the economic impact thereof, and the extent to which the COVID-19 pandemic may impact our future results of operations and financial condition.

We have taken precautionary measures intended to help minimize the risk of the virus to our employees, including requiring some of the employees to work remotely and have alternately suspended non-essential travels.

The impact of COVID-19 on the demand environment for our products, including with respect to end users’ audio-video and multimedia products that serve public areas and public events, was reflected by a reduction in demand for our products during the second half of 2020. By contrast, in 2021, we have experienced an increase in demand for our high-speed connectivity products, driven by a need for products and infrastructure to support the world’s transitions resulting from COVID-19 such as WFH, hybrid educational models and remote healthcare. On the product supply side, lead times for the entire semiconductor industry have been extended, making it difficult to obtain necessary inputs and supply in a timely manner and requiring us to place longer long-term purchase orders to our supply chain vendors to secure production capacity. In parallel, our customers placed purchase orders with longer lead times, that support our revenue projections for 2022. Additionally, during 2021, in light of the global shortage in the semiconductor industry, we faced price increases from our supply-chain vendors that forced us to increase the prices of our products.

Overall, considering the changing nature and continuing uncertainty around the COVID-19 pandemic, our ability to predict the impact of COVID-19 on our business in future periods remains limited. The effects of the pandemic on our business are unlikely to be fully realized, or reflected in our financial results, until future periods. The ultimate societal and economic impact of the COVID-19 pandemic also remains unknown. In particular, we cannot predict whether any worsening or continuation of the pandemic, or any resulting economic impact, will adversely affect our business.

## **Cyclical Nature of the Semiconductor Industry**

The semiconductor industry is cyclical in nature and characterized by increasingly rapid technological change, product obsolescence, competitive pricing pressures, evolving standards, short product life cycles and fluctuations in product supply and demand. New technology may result in sudden changes in system designs or platform changes that may render some of our audio-video and automotive connectivity products obsolete and require us to devote significant research and development resources to compete effectively. Periods of rapid growth and capacity expansion are occasionally followed by significant market corrections in which sales decline, inventories accumulate, and facilities go underutilized. During periods of expansion, our margins generally improve as fixed costs are spread over higher manufacturing volumes and unit sales. Recent downturns and shortages in the semiconductor industry have been attributed to a variety of factors, including the COVID-19 pandemic, trade disputes among the United States and China, weakness in demand in certain markets, supply chain capacity challenges and pricing for semiconductors across applications and excess inventory. These recent downturns have directly impacted our business, as has been the case with many other companies, suppliers, distributors, and customers in the semiconductor industry, and any prolonged or significant future downturns in the semiconductor industry could affect our sales, production and productivity and margins may decline.

Conversely, significant upturns can cause us to be unable to satisfy demand in a timely and cost-efficient manner and could result in increased competition for access to third-party foundry and assembly capacity. In the event of such an upturn, we may not be able to procure adequate capacity within our semiconductor supply chains, resources and raw materials, or locate suitable third-party suppliers or other third-party subcontractors to respond effectively to changes in demand for our existing products, all of which may lead to extended lead-times beyond our standard lead time and our business, financial condition and results of operations could be adversely affected.

**Manufacturing Costs and Product Mix**

Gross margin, or gross profit as a percentage of total net sales, has been, and will continue to be, affected by a variety of factors, including the average selling prices (“**ASPs**”) of our products, product mix in a given period (which is composed of the product mix between our audio-video products and automotive chips and the mix of different product generations within the audio-video segment), material costs, yields, manufacturing costs and efficiencies. We believe the primary driver of gross margin is the ASP negotiated between us and our customers relative to material costs and yields. To keep the competitiveness of our products, we are required from time to time to adjust our products’ ASPs. We continually monitor and work to reduce the cost of our products and improve the potential value of the solutions provided to our customers, as we target new design win opportunities and manage the product life cycles of our existing customer designs. Nevertheless, during 2021, following the global shortage in the semiconductor industry, we have seen an increase in prices from our supply chain vendors (after many years of continuous price reductions) that forced us to increase our prices to our customers. We also maintain a close relationship with our suppliers and subcontractors to improve quality, increase yields and lower manufacturing costs. The improvements in manufacturing yields and lower wafer, assembly, and testing costs, which offset some or all of the margin reduction that results from declining ASPs enabled us to manage our gross margins. However, our gross margin may fluctuate on a quarterly basis as a result of changes in ASPs due to product mix, new product introductions, transitions into volume manufacturing and manufacturing costs. Gross margin generally decreases if production volumes are lower as a result of decreased demand, which leads to a reduced absorption of our fixed operations costs. Gross margin generally increases when the opposite occurs.

**Key Financial and Operating Metrics**

We regularly monitor several financial and operating metrics in order to measure our current performance and project our future performance. These metrics aid us in developing and refining our growth strategies and making strategic decisions.

	<b>Year Ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
	<b>(dollars in thousands)</b>	
Revenues	70,684	56,910
% Gross margin	71.6%	76.4%
Net loss	(26,534)	(19,635)
Net loss margin	(37.5)%	(34.5)%
Adjusted EBITDA(1)	(16,098)	(16,366)
Adjusted EBITDA Margin(1)	(22.8)%	(28.8)%
Cash and cash equivalents and short-term deposits	174,359	61,570
Book to bill	1.7	1.1

(1) Non-GAAP measure. Refer to “Non-GAAP Financial Measures” below for an explanation and reconciliation to closest equivalent GAAP metrics.

**Revenues**

See “—Components of Our Results of Operations—Revenues.”

**Gross Margin**

See “—Components of Our Results of Operations—Gross Profit.”

***Net income (loss)***

Net income (loss) is calculated as presented on our consolidated statement of income (loss) for the periods presented.

***Net income (loss) margin***

Net income (loss) margin is net income (loss) divided by our revenues.

***Adjusted EBITDA***

We calculate Adjusted EBITDA as net profit (loss) before financial income, net, income tax, equity in earnings of investee and depreciation and amortization, further adjusted to exclude share-based compensation, which may vary from period-to-period.

***Adjusted EBITDA Margin***

We calculate Adjusted EBITDA Margin as Adjusted EBITDA divided by revenues.

***Book-to-bill ratio***

We calculate the book-to-bill ratio as the ratio of orders received to the revenues, for a specific period, usually one quarter or one year. This metric is widely used in the semiconductor industry, where the semiconductor book-to-bill ratio is considered an important leading indicator of demand trends. A book-to-bill ratio above one means that more orders were received than filled, indicating strong demand.

***Cash and cash equivalents and short-term deposits***

Cash equivalents are short-term highly liquid investments that are readily convertible to cash with original maturities of three months or less. Short-term deposits are bank deposits with maturities over three months and up to one year. As of December 31, 2021, and 2020, short-term deposits were denominated in U.S. dollars and bore interest of 0.6% and 1.2%, respectively. Short-term deposits are presented on the balance sheet at their cost, including accrued interest.

***Non-GAAP Financial Measures***

We are presenting the following non-GAAP financial measures because we use them, among other things, as key measures for our management and board of directors in managing our business and evaluating our performance. We believe they also provide supplemental information that may be useful to investors. The use of these measures may improve comparability of our results over time by adjusting for items that may vary from period to period or not be representative of our ongoing operations.

These non-GAAP measures are subject to significant limitations, including those identified below. In addition, other companies may use similarly titled measures but calculate them differently, which reduces their usefulness as comparative measures. Non-GAAP measures should not be considered in isolation or as a substitute for GAAP measures. They should be considered as supplementary information in addition to GAAP operating and financial performance measures.

***Adjusted EBITDA***

We believe that Adjusted EBITDA is useful because it allows us and others to measure our performance without regard to items such as share-based compensation expense, depreciation, amortization and financial income, net and income taxes, as well as other items that can vary substantially depending on our financing and capital structure, and the method by which assets are acquired. We use Adjusted EBITDA and GAAP financial measures for planning purposes, including the preparation of our annual operating budget, as a measure of performance and the effectiveness of our business strategies, and in communications with our board of directors. We may also use Adjusted EBITDA as a metric for determining payment of cash or other incentive compensation.

Limitations on the use of Adjusted EBITDA include the following:

- Although depreciation expense is a non-cash charge, the assets being depreciated may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- Adjusted EBITDA excludes share-based compensation expense, which has been, and will continue to be for the foreseeable future, a significant recurring expense for our business and an important part of our compensation strategy;
- Adjusted EBITDA does not reflect, to the extent applicable for a period presented: (1) changes in, or cash requirements for, our working capital needs; (2) interest expense, or the cash requirements necessary to service interest or if applicable principal payments on debt, which reduces cash available to us; or (3) tax payments that may represent a reduction in cash available to us; and the expenses and other items that we exclude in our calculation of Adjusted EBITDA may differ from the expenses and other items, if any, that other companies may exclude from Adjusted EBITDA when they report their operating results.

We calculate Adjusted EBITDA as net loss before net financial expense, income tax provision and depreciation and amortization, further adjusted to exclude share-based compensation which may vary from period-to-period.

The following table provides a reconciliation of net loss to Adjusted EBITDA.

	Year Ended December 31,	
	2021	2020
	(dollars in thousands)	
Net loss	(26,534)	(19,635)
Adjusted to exclude the following:		
Financial income, net	(929)	(3,300)
Income Taxes	407	164
Equity in earnings of investee	(10)	(17)
Depreciation and amortization	1,099	1,093
Stock-based compensation expenses	9,869	5,329
Adjusted EBITDA	(16,098)	(16,366)

#### *Components of Our Results of Operations Revenues*

Substantially all our revenues are generated from selling products, mainly semiconductor products (chips). Revenues from product sales are recognized when our customers (which includes our distributors) obtain control over our product, typically upon shipment to such customer. Taxes collected from customers relating to product sales and remitted to governmental authorities are excluded from revenues.

### ***Cost of revenues***

Our cost of revenue includes cost of materials, such as the cost of wafers, costs associated with packaging and assembly, testing costs as well as shipping cost, depreciation cost of production equipment, cost of personnel (including stock-based compensation), costs of logistics and quality assurance and other expenses associated with manufacturing support. In addition, we incur royalty payment expenses for certain third-party intellectual property embedded in our chips, which represent between 1% and 3.5% of revenue earned, plus up to \$0.10 per chip depending on the chip.

Despite the shortage in the semiconductor industry during 2020 and 2021, we successfully managed our inventory levels and were able to fulfill all our customers' demand though in certain cases with an extended lead time. However, if the shortage in the semiconductor industry continues, we will continue to face the impact of extended lead times from our suppliers as well as cost increases for certain raw materials that are in short supply that will force us to increase our lead time and prices to customers as well as increase the levels of inventories we secure for our customers.

As our product mix changes and the percentage of automotive revenue grows, we expect to experience some erosion in our gross margin, yet we expect that our overall gross margin will remain greater than 60% on average in the foreseeable future.

### ***Gross profit***

Gross profit, calculated as revenues less cost of revenues, has been, and will continue to be, affected by the following factors: balance and product mix between our audio-video products and automotive products; the mix of products with different pricing model; and the balance of direct customers versus indirect sales through distributors.

### **Operating Expenses**

#### ***Research and development expenses***

Research and development expenses consist primarily of personnel costs, including salaries, bonuses, share-based compensation and employee benefits costs, allocated facilities costs, professional services, intellectual property and development tools licenses and depreciation. We expect research and development expenses to increase in future periods to support our growth, including continuing to invest in optimization, accuracy and reliability of our products and other technology improvements to support and drive efficiency in our operations. These expenses may vary from period to period as a percentage of revenue, depending primarily upon when we choose to make more significant investments.

In 2020 and 2021, most of our research and development expenses derived from the development of:

1. The VA7000 chipset family product which is currently composed of two products: transmitter and receiver, is the first on the market to implement the MIPI A-PHY<sup>SM</sup> standard for in-vehicle sensor connectivity. Valens was the first in the automotive industry to ship engineering samples compliant with the new MIPI A-PHY standard, as early as in December 2021, to selected automotive OEMs and Tier 1s, prospective customers and partners.
2. The VS3000 product family, intended for the Audio-Video market, that enables faster implementation for the customer triggered by its rich features and higher level of integration. The research and development expenses were focused on the silicon design and fabrication, as well as the development of the firmware required for the product. Another phase of investment was the design of the evaluation and reference system that is necessary in order to ease our customers' integration effort, helping to accelerate and shorten their development cycle, and Valens' time to market;



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3. The VA6003 product, which is the second generation of Valens' 1GbE symmetric product family, a derivative of VA6000 that is currently in mass production. The VA6003 brings significant power reduction, with very efficient cost performance. It is designed to fit advanced infotainment use-cases and next generation of telecommunication units and smart antennas, requiring low power and resilient connectivity. In addition, Valens continues to develop, in collaboration with Stoneridge Inc., a vision solution for tractor-trailer connectivity, based on VA6000.
4. Investments in the VA6000 Audio-Video version. We customized the VA6000 automotive solution to tailor it to the Audio-Video market requirements. The expenses were focused on customizing the DSP firmware to achieve longer cable distance as well as building the necessary evaluation and reference boards to help customers embed this product more quickly into their products.

### ***Sales and marketing expenses***

Sales and marketing expense consist of sales commissions, advertising costs, travel costs, overhead expenses and payroll and other personnel related costs, including salaries, share-based compensation and employee benefits. We expect to increase sales and marketing expense to support the overall growth of our business. Nevertheless, a significant contribution to our sales and marketing expenses came from participation in conferences and exhibitions, yet, due to COVID-19, in the last two years the Company was forced to reduce attendance in such events and it is hard to predict when such activities will return to their pre-pandemic scale.

### ***General and administrative expenses***

General and administrative expenses consist of payroll and other personnel related costs, including salaries, share-based compensation, employee benefits and expenses for executive management insurance expenses and other expenses. In addition, general and administrative expenses include fees for professional services and occupancy costs. The 2021 general and administrative expenses increased due to expenses related to the Business Combination and the listing of Valens as a public company in the New York Stock Exchange as of September, 2021. We expect our general and administrative expenses to increase as we scale up headcount with the growth of our business, and as a result of operating as a public company, including compliance with the rules and regulations of the Securities Exchange Commission, legal, audit, additional insurance expenses, investor relations activities, and other administrative and professional services.

### ***Financial income, net***

Financial income, net, primarily consists of interest income from deposits and gains/losses from foreign exchange fluctuations. In 2021, we had an expense related to issuance costs attributed to the Forfeiture Shares. The Company classifies these Forfeiture Shares as liabilities which are presented at their fair value. This liability is subject to re-measurement at each balance sheet date until the contingency settlement, and any change in fair value is recognized in the Company's statement of operations.

### ***Income taxes***

The statutory corporate tax rate in Israel is 23% for fiscal years 2020 and 2021. For the years ended December 31, 2021, and 2020, Valens operated at a loss position and therefore had no corporate tax liability other than current tax payments due to non-deductible expenses. As of December 31, 2021, and 2020, Valens had a net operating loss carry forward of approximately \$88 million and \$85 million, respectively.

### ***Equity in earnings of investee***

In March 2010, the Company incorporated, together with LG Electronics, Samsung Electronics and Sony Pictures Technologies Inc., the HDBaseT Licensing LLC (the "LLC") in Oregon, USA. The Company holds a 25% stake in the LLC. The LLC's purposes are (i) to hold, obtain, license and/or acquire rights to certain intellectual property associated with or connected to or related to technical specifications developed by the HDBaseT Alliance, an Oregon nonprofit mutual benefit corporation (hereafter the "Alliance"), to enter into licensing arrangements for such intellectual property as required by the intellectual property rights policy of the Alliance.

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Investment in which the Company exercises significant influence, and which is not considered a subsidiary is accounted for using the equity method, whereby the Company recognizes its proportionate share of the investee's net income or loss after the date of investment.

### Segment reporting

The chief operating decision maker ("CODM") is the Company's Chief Executive Officer, who makes resource allocation decisions and assesses performance based on financial information prepared on a consolidated basis, accompanied by disaggregated information about revenues, gross profit and operating loss by the two identified reportable segments. The Company's business includes two operating segments, based on the two markets the Company serves:

- **Audio-Video:** The Company's HDBaseT solutions for the Audio-Video market deliver superior, plug-and-play convergence and distribution of different interfaces, through a single long-distance category cable. The products sold into enterprise, education, industrial, digital signage, medical and residential markets.
- **Automotive:** Valens Automotive products enable safe and resilient high-speed in-vehicle connectivity for advanced car architectures, realizing the vision of connected and autonomous cars.

For the purpose of evaluating financial performance and allocating resources, the CODM reviews financial information presented on a consolidated basis accompanied by disaggregated information on revenues, gross profit and operating loss by the two identified reportable segments, to make decisions about resources to be allocated to the segments and assess their performance.

Revenues and cost of goods sold are directly associated with the activities of a specific segment. Operating expenses directly, including general and administrative expenses, associated with the activities of a specific segment are charged to that segment. General and administrative expenses that cannot be attributed directly, are allocated evenly between segments. Other operating expenses are allocated to segments based on headcount ratio.

### Results of Operations

The following table provides our consolidated statements of operations for the years ended December 31, 2021, and 2020:

	Year Ended December 31, 2021      2020 (dollars in thousands)		\$ Change	% Change
Revenues				
<i>Audio-Video</i>	62,801	54,843	7,958	14.5%
<i>Automotive</i>	7,883	2,067	5,816	281.4%
<i>Consolidated</i>	<u>70,684</u>	<u>56,910</u>	<u>13,774</u>	<u>24.2%</u>
Cost of revenues	(20,105)	(13,432)	(6,673)	49.7%
Gross profit (loss)				
<i>Audio-Video</i>	48,909	43,609	5,300	12.2%
<i>Automotive</i>	<u>1,670</u>	<u>(131)</u>	<u>1,801</u>	<u>1374.8%</u>
<i>Consolidated</i>	<u>50,579</u>	<u>43,478</u>	<u>7,101</u>	<u>16.3%</u>
Operating expenses				
Research and development expenses:				
<i>Audio-Video</i>	(14,054)	(13,116)	(938)	7.2%
<i>Automotive</i>	<u>(32,821)</u>	<u>(31,609)</u>	<u>(1,212)</u>	<u>3.8%</u>
<i>Consolidated</i>	<u>(46,875)</u>	<u>(44,725)</u>	<u>(2,150)</u>	<u>4.8%</u>
Sales and marketing expenses				

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<i>Audio-Video</i>	(6,944)	(6,625)	(319)	4.8%
<i>Automotive</i>	(7,270)	(7,032)	(238)	3.4%
<i>Consolidated</i>	(14,214)	(13,657)	(557)	4.1%
General and administrative expenses:				
<i>Audio-Video</i>	(8,322)	(4,064)	(4,258)	104.8%
<i>Automotive</i>	(8,234)	(3,820)	(4,414)	115.5%
<i>Consolidated</i>	(16,556)	(7,884)	(8,672)	110.0%
Total operating expenses	(77,645)	(66,266)	11,379	17.2%
Operating income (loss) before financial income, net				
<i>Audio-Video</i>	19,589	19,804	(215)	(1.1)%
<i>Automotive</i>	(46,655)	(42,592)	(4,063)	9.5%
<i>Consolidated</i>	(27,066)	(22,788)	(4,278)	18.8%
Financial income, net	929	3,300	(2,371)	(71.8)%
Loss before income taxes	(26,137)	(19,488)	(6,649)	34.1%
Income taxes	(407)	(164)	(243)	148.2%
Loss after income taxes	(26,544)	(19,652)	(6,892)	35.1%
Equity in earnings of investee	10	17	(7)	(41.2)%
Net loss	(26,534)	(19,635)	(6,899)	35.1%

## Revenues

Revenues increased by \$13.8 million, or 24.2%, for the year ended December 31, 2021 compared to the year ended December 31, 2020. During 2021, we updated the prices of our products in both business units. As the price update was implemented in late 2021, the impact of such price increase on 2021 revenues was minimal, and it will mainly affect products that are scheduled for shipment during 2022.

Revenues for Audio-Video increased by \$8.0 million, or 14.5%, for the year ended December 31, 2021 compared to the year ended December 31, 2020. The increase was primarily driven by the market recovery as multiple regions were slowly exiting the 2020 different pandemic restrictions triggered by COVID-19. In 2021, the Company experienced an increase in demand for its high-speed connectivity products, driven primarily by our customers business turning back to pre-COVID-19 production capacity. In addition, our 2021 customers' demand was notably high for applications in the Education, Signage and Enterprise that supported the global transition to remote communication solutions following COVID-19 such as Hybrid WFH, and hybrid healthcare.

The successful launch of Valens innovative product, VS3xxx (aka "Stello<sup>TM</sup>") product family) with leading customers, enabled new category of uncompressed 4K 60 frames per second products and also contributed to the revenue increase of this segment.

Revenues for Automotive increased by \$5.8 million, or 281.4%, for the year ended December 31, 2021 compared to the year ended December 31, 2020. The increase was primarily driven by the fact that 2021 was the first full year of mass production by our automotive customers, as well as the expansion of our solution into additional car models.

We sell our products through a direct sales force and a select network of distributors and other channel partners globally. Sales to distributors accounted for 54% and 50% of our revenues for the year ended December 31, 2021 and 2020, respectively.

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### ***Cost of revenues***

Cost of revenues increased by \$6.7 million, or 49.7%, for the year ended December 31, 2021 compared to the year ended December 31, 2020. The increase was primarily due to the growth in the number of chipsets we sold during 2021 as well as the increase of prices by our supply-chain vendors of all our products during 2021, although, given our inventory levels, the impact of such price increases was modest, and is expected to have a greater effect on the cost of goods to be sold during 2022.

### ***Gross profit (loss)***

Gross profit was \$50.6 million, or 71.6% of revenues, for the year ended December 31, 2021, compared to \$43.5 million for the year ended December 31, 2020, or 76.4% of revenues. The decrease resulted from the following:

1. Increase in the revenue contribution of the automotive segment that is characterized by a lower gross margin rate, compared to the audio-video segment.
2. The impact of product mix within the audio-video segment. i.e., the increase in revenues derived from the new Stello™ chipset family, that its cost structure is still not optimized, compared to other legacy products sold by the audio-video business unit.
3. The impact of the cost increase by our supply-chain vendors and the time-gap until the application of respective price increase to our customers.

Gross profit for Audio-Video was \$48.9 million, or 77.9% of revenues, for the year ended December 31, 2021, compared to \$43.6 million, or 79.5% of revenues, for the year ended December 31, 2020. The increase in gross profit mainly resulted from the increase in volume shipped of products as well as the migration to the VS3000 that is characterized with a higher ASP. The gross margin reduction is driven by the same reason and attributed to the impact of product mix within the audio-video segment (as detailed above).

Gross profit for Automotive was \$1.7 million, or 21.2% of revenues, for the year ended December 31, 2021, compared to a gross loss \$0.1 million, or 6.3% of revenues, for the year ended December 31, 2020. The increase in gross profit in the Automotive segment was due to several factors—the volume of chipsets we have sold in 2021 increased compared to 2020, complemented, to some extent, by the increase of prices we have charged our automotive customers towards the end of 2021. In addition, the increase in our 2021 automotive volumes contributed to the improvement of our production yield, which increased profitability per chipset. The increase in the automotive revenues occurred while the fixed costs of production remained relatively stable, resulted in mean incremental gross profit which primarily reflects the difference between the products' ASP and the direct bill of materials (i.e, contribution margin), which positively impacted the overall gross profit and gross margin of the Automotive business unit. In 2021, such expenses reflected 5.5% of the total automotive revenues, compared to 24.3% of the total automotive revenues in 2020.

### ***Operating expenses***

#### ***Research and development expenses***

Research and development expenses increased by \$2.2 million, or 4.8%, for the year ended December 31, 2021, compared to the year ended December 31, 2020. Audio-Video and Automotive research and development expenses increased by \$0.9 million, or 7.2% and \$1.2 million, or 3.8%, respectively, for the year ended December 31, 2021, compared to the year ended December 31, 2020.

The increase of the total research and development expenses was primarily driven by several factors:

1. In light of the business opportunities created by the need for remote communication solutions in the audio-video segment, as well as the need for a wide-range of a product portfolio to comply with the new MIPI A-PHY standard and customers' expectations, we accelerated projects' execution which required more resources, such as additional engineers, development tools, tape outs, new IP blocks etc.
2. The increase in payroll expenses paid primarily to the research & development team, triggered by the shortage of skilled engineers and the highly competitive employment market.

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- In addition, the 2021 payroll expenses increased compared to 2020, due to the devaluation of the US dollar compared to the NIS, which is the currency used to pay our engineering staff in Israel.

### ***Sales and marketing expenses***

Sales and marketing expenses increased by \$0.6 million, or 4.1%, for the year ended December 31, 2021 compared to the year ended December 31, 2020.

Sales and marketing expenses for Audio-Video increased by \$0.3 million, or 4.8%, for the year ended December 31, 2021 compared to the year ended December 31, 2020. Sales and marketing expenses for Automotive increased by \$0.2 million, or 3.4%, for the year ended December 31, 2021, compared to the year ended December 31, 2020. The increase in expenses in both segments was primarily driven by increased marketing efforts to promote the new Stello™ product family as well as the promotion of the VA7000 chipset product family, the first to market chipset compliant with the new MIPI A-PHY standard.

### ***General and administrative expenses***

General and administrative expenses increased by \$8.7 million, or 110%, for the year ended December 31, 2021 compared to the year ended December 31, 2020.

General and administrative expenses for Audio-Video and Automotive increased by \$4.3 million, or 104.8% and \$4.4 million, or 115.5%, respectively for the year ended December 31, 2021, compared to the year ended December 31, 2020.

The general and administrative expenses increased primarily due to expenses in the amount of \$5.6 million, of which \$3.4 million related to options' vesting acceleration of one of the Company's executives, bonuses related to the listing of the Company as a public company, as well as other listing-related expenses. In addition, during the fourth quarter of 2021, we booked expenses of \$1.1 million related to D&O insurance premium. During 2021, the Company also absorbed an increase of \$0.9 million compared to 2020, attributed to professional services.

### ***Financial income, net***

Finance income decreased by \$2.4 million, or 71.8%, for the year ended December 31, 2021 compared to the year ended December 31, 2020. The decrease was primarily driven by the impact of the devaluation of the U.S. dollar compared to the Israeli shekel. In 2021 the Company booked a financial income of \$1.3 million, compared to \$2.6 million that are related to foreign currency exchange differences. The currency of the primary economic environment in which we conduct our operations is the U.S. Dollar. Accordingly, the Company uses the U.S. Dollar as its functional and reporting currency. Foreign currency assets and liabilities are remeasured into U.S. Dollars, at the end-of-period exchange rates, except for non-monetary assets and liabilities, which are remeasured at historical exchange rates. Expenses in foreign currency (mainly payroll to Israeli employees and overhead expenses of the Israeli office), are remeasured at the exchange rate in effect during the period the transaction occurred, except for those expenses related to balance sheet amounts, which are remeasured at historical exchange rates. In addition, during 2021, there was a global reduction in interest rates applied to deposits, compared to 2020, which resulted with a reduction in our interest income by \$0.5 million. Another factor of the reduction in the financial income is derived from the expense of \$0.5 million, related to the issuance cost that is attributed to the Forfeiture Shares.

### ***Loss before income taxes***

Loss before income taxes increased by \$6.7 million, or 34.1%, for the year ended December 31, 2021 compared to the year ended December 31, 2020. The increase in loss was primarily driven by the increase of the total operating expenses by \$11.4 million and the reduction of the financial income by \$2.4 million, offset by an increase of the growth profit by \$7.1 million.

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### *Income taxes*

Income taxes increased by \$0.2 million, or 148.2%, for the year ended December 31, 2021 compared to the year ended December 31, 2020. The increase was primarily driven by taxes related to non-deductible expenses, derived from welfare activities that resumed during 2021, following the removal of certain social distancing limitations.

### **B. Liquidity and Capital Resources**

As of December 31, 2021, and December 31, 2020, we reported an accumulated shareholders' equity (deficit) in the amount of \$182.4 million and \$(82.2) million respectively. The increase in the shareholders equity is mainly driven by the Business Combination transactions concluded in September 2021, as detailed below that resulted in inflow cash of \$131.6 million (net of \$2.6 million issuance-related cost that were expensed in the statement of operations).

Our primary cash needs are for working capital, contractual obligations and other commitments. During the years 2021 and 2020, we had net cash outflows from our operating activities in the amount of \$ 21.6 million and \$19.6 million, respectively.

Our Cash and cash equivalents balance as of December 31, 2021 and 2020 were \$174.4 million and \$61.6 million respectively, which are deposited in major Israeli, U.S, Japanese, German and Chinese financially sound institutions.

On September 29, 2021 (the "Closing Date"), we consummated a merger transaction (referred to as the "Merger Agreement Closing") pursuant to a merger agreement, dated May 25, 2021 (the "Merger Agreement"), by and among the Company, PTK Acquisition Corp., a Delaware corporation whose common stock and warrants were then traded on the New York Stock Exchange ("PTK" or "SPAC") and Valens Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of the Company ("Merger Sub").

As a result of the Merger Agreement Closing, and upon consummation of other transactions contemplated by the Merger Agreement Closing (the "Transactions"), PTK became a wholly owned subsidiary of the Company, and (a) each of the PTK Warrants (total of 18,160,000 warrants convertible into 9,080,000 PTK common stock), automatically became a Company Warrant and all rights with respect to the PTK common stock underlying the PTK Warrants were automatically converted into rights with respect to Company Ordinary Shares and thereupon assumed by the Company, and (b) each PTK common stock issued and outstanding immediately prior to the Merger Agreement Closing was converted automatically into one Company Ordinary Share (for total of 5,867, 763 Ordinary Shares including the Ordinary Shares subject to forfeiture). The total proceeds received by the Company as part of the above Transactions totaled to \$29.9 million.

In connection therewith, the Company issued to the PTK's sponsor: (a) 2,875,000 Ordinary Shares; and (b) 6,660,000 warrants, each of which entitles the holder thereof to purchase one half (1/2) of a Company Ordinary Share (the "Private Warrants") ((a) and (b) together, the "Sponsor Equity"). The Sponsor Equity is subject to certain terms and conditions, as set forth in the Merger Agreement. 35% of the Valens Ordinary Shares that the PTK sponsor received in respect of its PTK common stock (i.e., 1,006,250 Ordinary Shares), are subject to forfeiture if certain price targets for the Valens Ordinary Shares are not achieved within a certain period of time after the Closing Date or if an M&A Transaction (as defined in the Merger Agreement), does not occur at a certain minimum price (the "Forfeiture Shares"). Such Forfeiture Shares are considered outstanding shares and are entitled to voting rights and distributions.

Concurrently with the execution of the Merger Agreement, Valens and certain accredited investors (the "PIPE Investors"), entered into a series of subscription agreements, providing for the purchase by the PIPE (Private Investment in Public Equity) Investors at the Closing Date of an aggregate of 12,500,000 Valens Ordinary Shares ("PIPE Shares") at a price per share of \$10.00, for gross proceeds to Valens of \$125.0 million (collectively, the "PIPE Financing").

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The net proceeds received by the Company as part of the Merger Agreement Closing and the PIPE Financing totaled to \$131.6 million.

As part of our growth strategy, we have made and expect to continue to make significant investments in research and development and in our technology platform. We also consider potential future acquisitions. Depending on the magnitude and timing of our growth investments and the potential size and structure of any future acquisitions, we may decide to supplement our available cash from operations with the issuance of additional equity or debt securities and/or secure other loans, which could be material.

We believe the cash and short-term deposits we have as of December 31, 2021, are sufficient to support the working capital needs of the Company for at least the 12-month period from the date of this report.

Considering the recent worldwide COVID-19 pandemic, we are closely monitoring the effect that current economic conditions may have on our working capital requirements. To date, the pandemic has not had a material negative impact on our cash flow or liquidity. We cannot provide any assurance regarding future possible COVID-19-related impacts on our business.

Our future capital requirements and the adequacy of available funds will depend on many factors, including those set forth under “Risk Factors.”

### ***Cash Flows***

The following table summarizes our cash flows for the periods indicated:

	Year Ended December 31,	
	2021	2020
	(dollars in thousands)	
Cash Flow Data:		
Net cash used in operating activities	(21,609)	(19,606)
Net cash provided by (used in) investing activities	(84,163)	28,314
Net cash provided by financing activities	135,431	406
Effect of exchange rate changed on cash and cash equivalents	816	1,646
Net increase (decrease) in cash and cash equivalents	30,475	10,760

### ***Operating Activities***

During the year ended December 31, 2021, net cash used in operating activities was \$21.6 million, primarily resulting from our net loss of \$26.5 million (including issuance related expenses in the total amount of \$2.6 million) as well as the increase in inventory levels in the amount of \$6.2 million offset by certain non-cash activities.

During the year ended December 31, 2020, net cash used in operating activities was \$19.6 million, primarily resulting from our net loss of \$19.6 million.

### ***Investing Activities***

During the year ended December 31, 2021, net cash used in investing activities was \$84.2 million, consisting of \$82.8 million, net, invested in short term deposits and an additional amount of \$1.4 million used for purchases of property and equipment.

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During the year ended December 31, 2020, net cash provided by investing activities was \$28.3 million, consisting of \$29.2 million of proceeds received from short-term deposits, offset by an amount of \$0.9 million used for purchases of property and equipment.

### **Financing Activities**

During the year ended December 31, 2021, net cash provided by financing activities was \$135.4 million, mainly due to net proceeds from the Business Combination transactions in the total amount of \$134.1 million (net of \$2.6 million attributed to issuance-related costs that were expensed in the statement of operations) as well as proceeds in the total amount of \$1.2 million received from stock option exercised by certain employees of the Company.

During the year ended December 31, 2020, net cash provided by financing activities was \$0.4 million, due to proceeds received from stock option exercised by certain employees of the Company.

### **Contractual Obligations**

The following table discloses aggregate information about material contractual obligations and the periods in which they are due as of December 31, 2021. Future events could cause actual payments to differ from these estimates (figures in the table are dollars in thousands).

	2022	2023	2024	Thereafter
Operating Leases	\$ 1,821	\$ 348	\$ 30	\$0
Non-cancellable purchase obligations:				
To supply chain vendors	\$39,897	\$10,694	\$ 0	\$0
To intellectual property vendors (including development tools)	\$ 4,226	\$ 2,337	\$ 0	\$0
Total contractual obligations	\$45,944	\$13,379	\$ 30	\$0

The commitment amounts in the table above are associated with contracts and/or outstanding purchase orders to certain vendors of the Company that are enforceable and legally binding and that specify all significant terms, including fixed or minimum services to be used, fixed, minimum, or variable price provisions, and the approximate timing of the actions under such contracts. The table does not include obligations under purchase orders that we can cancel without a significant penalty or royalty payments based on sales volumes.

The table above further does not include future rental payments of future extension periods of \$10 thousand, \$1,457 thousand, \$1,689 thousand and \$281 thousand for the years ended on December 31, 2022, 2023, 2024 and 2025.

### **Off-Balance Sheet Arrangements**

During the periods presented, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K, such as the use of unconsolidated subsidiaries, structured finance, special purpose entities or variable interest entities.

### **C. Research and development, patents and licenses, etc.**

See “Item 4. Information on the Company – B. Business overview” and “Item 5. Operating and financial review and prospects –A. Operating results – results of operations.”

### **D. Trend information**

See “Item 5. Operating and financial review and prospects – A. Operating results.”



## **E. Critical Accounting Policies and Estimates**

Our discussion and analysis of financial condition results of operations are based upon our consolidated financial statements included elsewhere in this Annual Report. The preparation of our consolidated financial statements in accordance with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. We base our estimates on past experience and other assumptions that we believe are reasonable under the circumstances, and we evaluate these estimates on an ongoing basis. Actual results may differ from those estimates.

Our critical accounting policies are those that materially affect our consolidated financial statements and involve difficult, subjective or complex judgments by management. A thorough understanding of these critical accounting policies is essential when reviewing our consolidated financial statements. We believe that the critical accounting policies listed below involve the most difficult management decisions because they require the use of significant estimates and assumptions as described above.

In prior year periods, there were not material differences between management's estimates and actual results, reflecting management's long-term experience in leading semiconductor operations and in accurately estimating the company's performance.

See Note 2 to our audited consolidated financial statements included elsewhere in this Annual Report for more information.

### ***Revenue Recognition***

We apply ASC 606, "Revenue from Contracts with Customers" ("ASC 606"). Under ASC 606, we recognize revenue when a customer obtains control of promised goods or services, in an amount that reflects the consideration that we expect to receive in exchange for those goods or services. To determine revenue recognition for arrangements that we determine are within the scope of ASC 606, we perform the following five steps:

- (i) Identify the contract(s) with a customer;
- (ii) Identify the performance obligations in the contract;
- (iii) Determine the transaction price;
- (iv) Allocate the transaction price to the performance obligations in the contract;
- (v) Recognize revenue when (or as) the performance obligation is satisfied.

Upon adoption of ASC 606 on January 1, 2019, we analyzed the contracts that were signed and not yet completed before the effective date and found no material impact on our consolidated financial statements as a result of the transition into the new accounting standard. No cumulative adjustment to accumulated deficit was recorded as a result of ASC 606 implementation.

We use the following practical expedients that are permitted under the rules:

- We recognize the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that we otherwise would have recognized is one year or less. These costs are included in sales and marketing expenses.
- When a contract with a customer includes a material right to acquire future goods or services that are similar to the original goods or services in the contract and are provided in accordance with the terms of the original contract, we allocate the transaction price to the optional goods or services by reference to the goods or services expected to be provided and the corresponding expected consideration.

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- We apply the practical expedient of allowing us to disregard the effects of a financing component if the period between when we transfer the promised services to the customer and when the customer pays for the services will be one year or less.

We generate revenues from selling products, mainly semiconductor products (or “chips”). Revenues from product sales are recognized when the customer (which includes distributors), obtains control over our product, typically upon shipment to the customer. Taxes collected from our customers relating to product sales and remitted to governmental authorities are excluded from revenues.

We do not grant a right of return, refund, cancelation or termination. From time to time, to incentivize certain distributors to increase demand, we provide them with the right to free or discounted products in future periods that provides a right to the customer subject to meeting pre-defined volume conditions. In recognizing the revenue from the sale to such distributors, prior to the actual meeting of such volume conditions, the Company recognizes only the portion of the revenue that is certain, assuming that such conditions have been met in full. The Company recognizes the full revenue in such engagements upon the earlier of: (i) the transfer of the entire volume, including the free or discounted products and (ii) the right expires without exercise by the distributor. As of December 31, 2021, and December 31, 2020, the deferred revenues for such rights were \$54 thousand and \$76 thousand, respectively.

We generally provide to our customers a limited warranty assurance that the sold products are in compliance with the applicable specifications at the time of delivery. Under our standard terms and conditions of sale, liability for certain failures of product during the stated warranty periods are usually limited to repair or replacement of defective items.

### **Stock-Based Compensation**

We account for stock-based compensation in accordance with ASC 718-10. Under ASC 718-10, stock-based awards, including stock options and restricted stock units (“RSU”), are recorded at fair value as of the grant date and recognized to expense over the employee’s, directors and consultants’ requisite service period (generally the vesting period) which we have elected to amortize on a straight-line basis. ASC 718-10 also requires forfeitures to be estimated at the time of grant and revised if necessary, in subsequent periods if actual forfeitures differ from those estimates. We use historical data as well as trends in the employment market to estimate pre-vesting option forfeitures.

We use the Black-Scholes option-pricing model to determine the fair value of stock options using the following assumptions:

	Year Ended December 31,	
	2021	2020
Volatility	46.7%-50.7%	48.2%
Risk-free interest	0.61%-1.74%	0.42%-1.69%
Dividend yield	0%	0%
Expected Term (in years)	6-10	6-10
Portion of Forfeited Options (based on management estimations)	4.5%	4.5%

### *Fair Value of Valens Ordinary Shares.*

Prior to September 30, 2021 (the listing day): As Valens ordinary shares have not been publicly traded, the fair value of the Valens ordinary shares underlying our equity awards was determined by our board of directors, with input from management, which was assisted by third-party valuation specialists. The valuations of our ordinary shares were determined in accordance with the guidelines outlined in the American Institute of Certified Public Accountants Practice Aid, Valuation of Privately-Held-Company Equity Securities Issued as Compensation (the “Guidelines”).

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The assumptions we used in the valuation models include, inter alia, the following factors:

- the prices, rights, preferences, and privileges of our preferred shares relative to our ordinary share;
- our operating and financial performance;
- current business conditions and projections;
- the likelihood of achieving a liquidity event, such as an initial public offering or sale of our company, including the timing of such events, given prevailing market conditions;
- any adjustment necessary to recognize a lack of marketability of the Valens Ordinary Shares underlying the granted options; and
- the market performance of comparable publicly traded companies.

In valuing Valens ordinary shares, absent an arm's-length current/recent round of financing, the fair value of our business, or equity value, was determined using both the income approach and an IPO scenario. The income approach estimates value based on the expectation of future cash flows that the company will generate, together with Company's estimates with respect to the required capital expenses (CAPEX). These future cash flows were discounted to their present values using a discount rate (weighted average cost of capital ("WACC")) based on the capital rates of return for comparable publicly traded companies and was adjusted to reflect the risks inherent in the Company's cash flows relative to those inherent in the companies utilized in the discount rate calculation. The IPO scenario estimated value based on a comparison of the Company to comparable public companies in a similar line of business. If the Company had made different assumptions than those used with these two approaches, then the valuation of the Company's Ordinary Shares could have been different, therefore, its share-based compensation expense, net loss and net loss per ordinary share could vary. For example, the Company attributed a higher probability for the non-IPO scenario, based on the management's assessment as of the valuation date. In addition Company's management assumed different discount rates due to lack of marketability in both scenarios.

Company's valuations were prepared in accordance with the Guidelines, which prescribe several valuation approaches for setting the value of an enterprise, such as the cost, income and IPO scenario, and various methodologies for allocating the value of an enterprise to the Company's ordinary shares. The option pricing method, or OPM, which treats Company's security classes as call options on total equity value and allocated its equity value across its security classes based on the rights and preferences of the securities within the capital structure under an assumed liquidation event. The OPM method was used when the range of possible future outcomes was difficult to predict, and forecasts were highly speculative. The Company believed this method was applicable given the expectation of various potential liquidity outcomes and the difficulty of selecting appropriate enterprise values given no public market for Company's shares. Beginning in January 1st 2020, for options granted as of such date, the Company utilized a hybrid model of two scenarios: (1) the OPM that was based on a Discount Cash Flow method, or DCF; and (2) Probability Weighted Expected Return Method ("PWERM").

DCF: The DCF method relied on the premise that the value of an investment is equal to the present value of the income that it can expect to generate going forward. From an investor's standpoint, these future income streams represent the dividend paying (i.e. distribution-paying) capacity of the company, or in the case of a leveraged company, monies available for all invested capital (i.e. interest-bearing debt plus owner's capital).

PWERM: Considered the management's expectations regarding a future IPO event and the likelihood of such event to occur by December 31, 2021 in light of the progress in discussions in connection with PTK for potential business combination transaction. Then, an incremental lack of marketability discount (different than the one used in the OPM method) was applied to the value of the Company's Ordinary Shares to arrive at the fair value per ordinary share under each method.

**After September 30, 2021:** After completion of the Business Combination, the Valens ordinary shares and warrants are now publicly traded. We calculate the fair market value of granted stock options based on a Black-Scholes valuation method, at an exercise price per share equal to the average stock market price of the 30-trading day period preceding the date of the grant.

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*Risk-Free Interest Rate.* The risk-free interest rate for the expected term of the options is based on the Black-Scholes option-pricing model on the yields of U.S. Treasury securities with maturities appropriate for the expected term of employee share option awards.

*Expected Term.* The expected term is calculated using the simplified method, as we have concluded that our historical share option exercise experience does not provide a reasonable basis to estimate the expected option term.

*Expected Volatility.* We estimate the volatility of our ordinary shares by using the volatility rates of our peer companies.

*Expected Dividend Yield.* We do not anticipate paying any cash dividends in the foreseeable future and therefore use an expected dividend yield of zero in our option-pricing models.

### **Restricted Share Units (“RSU”)**

We recognize compensation expense for time-based restricted stock units (“RSUs”) using the straight-line amortization method based on the fair value of RSUs on the date of grant. The fair value of RSUs is the closing market price of Valens ordinary shares on the date of grant.

### **Fair Value of Financial Instruments and Forfeiture Shares**

The FASB ASC Topic 820, Fair Value Measurements and Disclosures (“Topic 820”), establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under Topic 820 are described below:

**Level 1**—Quoted prices in active markets for identical assets or liabilities;

**Level 2**—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;

**Level 3**—Unobservable inputs that are supported by little or no market activity and that are significant to the fair values of the assets or liabilities.

The Company’s financial instruments consist of cash, cash equivalents, short-term bank deposits, trade accounts receivable and trade accounts payable as well as the warrants and Forfeiture Shares liabilities. Other than the warrants and Forfeiture Shares liability (see below), the recorded amounts approximate their respective fair value because of the liquidity and short period of time to maturity, receipt or payment of these instruments.

The Company’s financial instrument which is considered as a Level 3 measurement is the warrants liability and the Forfeiture Shares. The same above-described assumptions, that served as a basis for the Ordinary Shares valuation that was prepared in accordance with the Guidelines, were used for determining the warrants liabilities, and the liabilities attributed to the Forfeiture Shares that were valued using the Monte Carlo method. If the Company had made different assumptions than those used in preparing these valuations such as a different probability for the IPO scenario or the estimation of the time until IPO, then the warrant and Forfeiture Shares liabilities could have been different, therefore, the Company’s financial expenses, net loss and net loss per ordinary share could vary.

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### ***Inventories***

Inventories are comprised of finished goods as well as work in process that is planned to be sold to our customers and is presented at the lower of cost or net realizable value, based on the “first-in, first-out” basis. Most inventories are stored at the last production sites and are distributed from these locations. Inventories are reduced for write-downs based on periodic reviews for evidence of slow-moving or obsolete parts.

The determination of the valuation of our inventories involve consideration by the management of the Company with respect to:

- (1) quantities of finished goods and work in process required for the fulfillment of customers’ demand.
- (2) the date of manufacturing of the inventories (“date code”) and the Company’s ability to sell such inventories prior to their expiry date as well as their applicable net realizable value. In 2021 there was no inventory write-down, and in 2020, the inventory write-down totaled to \$73 thousands (representing 0.54% of the 2020 cost of goods sold).
- (3) potential schedule delays by customers may affect inventories valuation.
- (4) the need to increase inventories due to the shortage in the global semiconductor market, as well as the increase of lead time from the supply chain, together with the need to maintain sufficient inventory levels to ensure competitive performance, are balanced against the risk of inventory obsolescence due to rapidly changing technology and customer requirements.

### ***Recent Accounting Pronouncements***

See the section titled “Summary of Significant Accounting Policies” in note 2 of the notes to our consolidated financial statements as of December 31, 2021.

### ***Quantitative and Qualitative Disclosures about Market Risk***

Market risk represents the risk of loss that may impact our financial position because of adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of exposure resulting from potential changes in inflation, exchange rates or interest rates. We do not hold financial instruments for trading purposes.

### ***Foreign Currency Exchange Risk***

The U.S. dollar is our functional currency. Substantially all of our revenue was denominated in U.S. dollars for the years ended December 31, 2021, and 2020, however certain operating expenses were denominated in the Israeli shekel, mainly payroll to the team that works in the Company headquarters in Israel.

Future increases or decreases of the Israeli shekel, which is the main non-US dollar currency that is primarily used to pay the Israeli payroll, as well as some of the overhead expenses in Israel (e.g. office leases and municipal taxes), against the U.S. dollar may have significant impact on the Consolidated Statements of Income (loss).

### ***Interest Rate Risk***

Interest rate risk is the risk that the value or yield of fixed-income investments may decline if interest rates change. Fluctuations in interest rates may impact the level of interest expense recorded on future borrowings, as well as interest income from short-term deposits. We do not enter into derivative financial instruments, including interest rate swaps, for hedging or speculative purposes.

### ***Credit Risk***

Credit risk with respect to accounts receivable is generally not significant, as we routinely assess the credit worthiness of our partners and customers. We have not experienced any losses related to receivables from customers during the years ended December 31, 2021 and 2020. We do ask our customers to provide us with any collateral against their account receivable. Due to these factors, no additional credit risk is believed by management to be probable in our accounts receivable as of December 31, 2021.

As of December 31, 2021, we maintained, in banks, primarily in the United States and Israel, cash balances and other short term, highly liquid investments with original maturities of less than one year at the time of purchase.

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In the United States, our funds are maintained with a commercial bank, which is insured by the U.S. Federal Deposit Insurance Corporation, or FDIC (currently up to a maximum of \$250,000). In Israel, commercial banks do not have government-sponsored deposit insurance. At various times, we have deposits in excess of the maximum amounts insured by the FDIC. Historically we have not experienced losses related to these balances and believe our credit risk in this area is minimal.

### ***Emerging Growth Company Status***

We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We have elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that it is no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates.

## **ITEM 6.DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

### **A. DIRECTORS AND SENIOR MANAGEMENT**

The following persons serve as Valens’ executive officers and directors. Biographies of the executive officers and directors are also included below.

<b>Name</b>	<b>Age</b>	<b>Position</b>
<i>Executive Officers</i>		
Gideon Ben Zvi	61	Chief Executive Officer and Director
Dror Heldenberg	53	Chief Financial Officer
Gabi Shriki	52	SVP, Head of Audio Video Business
Gideon Kedem	61	SVP, Head of Automotive Business
Eyran Lida	56	Chief Technology Officer and Co-Founder
<i>Directors</i>		
Peter Mertens	60	Chairman of the Board
Yahal Zilka	64	Director
Dr. Eyal Kishon	62	Director
Dror Jerushalmi	60	Director
Moshe Lichtman	63	Director
Michael Linse	47	Director
Ker Zhang	57	Director
Adi Toledano Yarel	47	Director
Gideon Ben-Zvi	61	Chief Executive Officer and Director

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### **Executive Officers**

*Gideon Ben Zvi* has served as the Chief Executive Officer of Valens since 2020 and as a member of the board of directors of Valens since 2011 and as such, is deeply familiar with Valens, its business and technology. From 2007 to 2020, Mr. Ben Zvi served as a venture partner at Aviv Venture Capital. In the past five years, Mr. Ben Zvi served as a Chairman of the board of directors of BriefCam (until acquired by Canon), Chairman of the board of directors of Cellium, Chairman of the board of directors of enVerid Systems and co-founded AristagoraVC. Mr. Ben Zvi brings more than 30 years of experience as a serial entrepreneur, having previously served as CEO in different companies and led three exit events. Mr. Ben Zvi has also served as a board member at Bezalel Academy of Arts and Design in Jerusalem and board member and chair of committees at Jerusalem Transport Master Plan Team (JTMT). Mr. Ben Zvi holds a BSc in Computer Science and Math from Hebrew University Jerusalem (HUJI) and an MBA from HUJI.

*Dror Heldenberg* joined Valens in 2015 as its Chief Financial Officer, and as such is responsible for Valens' finance, accounting, and strategic financial planning. Mr. Heldenberg brings more than 25 years of experience in operational and financial leadership, and a proven track record in debt and venture financing, as well as M&A activities at numerous hi-tech companies with international operations. Before joining Valens, Mr. Heldenberg was the CFO at Compass Networks, a private data communication company, and at BroadLight (acquired by Broadcom in 2012). Mr. Heldenberg also held the CFO position at Pelican Security (acquired by Microsoft in 2002). Mr. Heldenberg is a Certified Public Accountant and holds an MBA and a B.Sc. in Accounting and Economics, Cum Laude, from the University of Tel Aviv.

*Gabi Shriki* joined Valens in 2015 and manages the Audio-Video business of Valens since then. In this capacity Mr. Shriki is responsible for growing Valens' leading position in core Audio Video markets and developing new adjacent markets. Mr. Shriki boasts over 20 years of experience in engineering and global business management positions and is a respected and knowledgeable voice in the Audio-Video industry, helping to advance the Audio-Video Market and building a stronger HDBaseT ecosystem. Prior to joining Valens, Mr. Shriki served as the manager of the Mobile Connectivity Solution Business Unit at Texas Instruments. Mr. Shriki holds a BSc. Electrical Engineering degree from Tel-Aviv University and an Executive MBA from Kellogg & Hong Kong University of Science and Technology (Kellogg-HKUST).

*Gideon Kedem* has led Valens' Automotive Business team since 2020. Mr. Kedem brings over 30 years of experience in the Semiconductor and EDA industry, serving in leading companies like Intel, Cadence and Xilinx. Prior to joining Valens in 2020, Mr. Kedem managed sales and business development at Xilinx activities across EMEA, Israel and India, with revenue responsibilities exceeding \$200M. Mr. Kedem holds a B.Sc. in Electrical Engineering and an MBA, both from Tel Aviv University.

*Eyran Lida* is the lead inventor of HDBaseT technology and a lead technical contributor to MIPI's A-PHY specification. A co-founder and Valens' CTO, Mr. Lida is responsible for technology strategy development and for Valens' patent portfolio. Mr. Lida's background includes 29 years of communication systems software and hardware architecture development experience, with primary expertise in wireline hardwired DSP modem design. Mr. Lida is the inventor of over 80 US patents and is the Chair of the HDBaseT Alliance Technical Committee. Mr. Lida Holds a B.Sc. in physics and computer science from the Hebrew University in Jerusalem.

### **Directors**

*Peter Mertens* has served as the Chairperson of the Valens Board of the Directors since 2020. Mr. Mertens brings more than 35 years of experience in the automotive industry, having held senior positions with major OEMs, including CTO at Volvo Cars for six years, General Motors Global Line Executive for eight years, various management positions at Mercedes Benz, and member of the Board of Management of Audi AG, responsible for Technical Development and Design. Mr. Mertens also served as member of the Board of Directors of several companies, such as Polestar SE, Zenuety SE, Audi Sport GmbH, Audi China, Volkswagen Financial Service, Recogni Inc. and Faurecia. Mr. Mertens is the founding Chairman of AID/Argo AI Europe. Mr. Mertens serves as the chairman of the board of Aurora Labs and is a member of the board of directors of proteanTecs and V-HOLA. Mr. Mertens was a Fulbright-scholar at Virginia Polytechnic Institute, USA. He holds a Master of Science in Industrial Engineering and Operations Research and a PhD in Production Engineering and Industrial Engineering from the University of Kaiserslautern where he served as a Member of the staff. Mr. Mertens is a valuable member of the Valens Board of Directors because of his extensive experience in the automotive industry and his prior track record as a senior executive and director.

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*Yahal Zilka* has served as a member of the board of directors of Valens since 2007. Mr. Zilka is a co-founder of Magma Venture Partners (“Magma”) and since 1999, served as co-Managing Partner of Magma. Prior to co-founding Magma Venture Partners, Mr. Zilka served as CFO of VocalTec Communications and led it from seed to its public offering on NASDAQ. Mr. Zilka brings many years of experience as an entrepreneur, mentor and executive with strong financial, operational, and hands-on management experience, as well as strategic relationships with industry leaders. Mr. Zilka currently serves as Director on the boards of SightEra-Magisto and Indegy. Previously, Mr. Zilka was on the boards of Waze (acquired by Google, NASDAQ: GOOG), Onavo (acquired by Facebook, NASDAQ:FB), DesignArt Networks (acquired by Qualcomm, NASDAQ: QCOM) and Phonetic Systems (acquired by Nuance, NASDAQ: NUAN). Mr. Zilka is a valuable member of the Valens Board of Directors because of his extensive experience in venture capital and his prior track record as a director.

*Dr. Eyal Kishon* has served as a member of the board of Valens since 2007. From 1996, Dr. Kishon has been the Founding & Managing Partner of Genesis Partners, an Israeli-based venture capital fund. Prior to that Dr. Kishon served as a Research Fellow in the Multimedia Department of IBM Science & Technology and in the Robotics Research Department of AT&T Bell Laboratories. Dr. Kishon serves as a director at AudioCodes (Nasdaq AUDC) and has served as a director at Allot Communications (Nasdaq ALLT). In addition, Dr. Kishon serves as a director at Riskified (NYSE: RSKD), JoyTunes, Worthy and TradAir. Dr. Kishon holds a B.A. in Computer Science from the Technion—Israel Institute of Technology and a M.Sc. and Ph.D. in Computer Science from the Courant Institute at New York University. Mr. Kishon is a valuable member of the Valens Board of Directors because of his extensive experience in venture capital, his technical background and his prior track record as a director.

*Dror Jerushalmi* co-founded and led Valens as its CEO for over 13 years, led its rounds of funding, and the adoption of Valens’ HDBaseT technology as a standard for connectivity in the audio-video and automotive markets. In parallel to his employment in Valens, Mr. Jerushalmi serves as the CEO of Cellium. Mr. Jerushalmi earned his Bachelor’s and his Masters, Cum Laude in Electrical and Computer Engineering from Ben-Gurion University, as well as his MBA from Heriot-Watt University, Israel branch. Mr. Jerushalmi is a valuable member of the Valens Board of Directors because of his extensive experience as a co-founder and his prior track record as a senior executive and director.

*Moshe Lichtman* has served on the Board of Valens since 2017. Mr. Lichtman brings more than 35 years of product and leadership experience and 20 years of investment experience in the global high-tech industry. Mr. Lichtman is co-founder and co-managing partner of IGP Capital and serves on boards of its portfolio companies as well as boards of several other tech companies. Prior to that Mr. Lichtman was Corporate VP at Microsoft where he led several global consumer and enterprise businesses. As head of MSN’s international business in the late 90’s, Mr. Lichtman was responsible for quadrupling the business to become the #1 network in Europe, Canada, Australia and many other international markets. Under his leadership in the early 2000’s, Microsoft’s TV business became the leading provider of IPTV platforms to telecom operators globally. Upon returning to Israel in 2006, as President of Microsoft’s R&D center in Israel, Mr. Lichtman was responsible for turning the Israel operation into one of the three largest strategic innovation hubs outside the US. Mr. Lichtman was also among the leaders of the Windows 95 team and President of Softimage, a leader in media creation software. Prior to Microsoft, Mr. Lichtman held software development and management positions in several high-tech startups. Mr. Lichtman is the co-author of the best-selling book “The complete guide to the C language” and holds a BSc Cum Laude in Computer Engineering from the Technion – Israel Institute of Technology, and an MBA from the MIT Sloan School. Mr. Lichtman is a valuable member of the Valens Board of Directors because of his extensive experience as an entrepreneur and his prior track record as a senior executive.

*Michael Linse* has served as a member of the Board of Valens since 2018. Mr. Linse has also served as the founder and managing director of Linse Capital LLC since October 2015, a growth equity firm investing in late-stage technology companies, and Levitate Capital, a venture capital firm, since March 2017. Mr. Linse serves as a director at ChargePoint Inc. (NYSE: CHPT). Prior to founding Linse Capital, Mr. Linse served as a partner at



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Kleiner Perkins Caufield & Byers (“KPCB”) from 2009 until March 2016. Prior to joining KPCB, Mr. Linse worked at Goldman Sachs for over a decade, most recently as Managing Director of the alternative energy investing team. Mr. Linse holds a B.A. in Economics from Harvard University and an MBA from Harvard Business School. Mr. Linse is a valuable member of the Valens Board of Directors because of his extensive experience in venture capital and technology investment.

*Ker Zhang* is one of the founders of PTK. Mr. Zhang has been an entrepreneur in residence at Kleiner Perkins since February 2018. Mr. Zhang was Vice President and General Manager of CDMA Product and Development of Intel Corporation from October 2015 until February 2018. Mr. Zhang was Chief Executive Officer of VIA Telecom from April 2002 until it was acquired by Intel Corporation in October 2015. Mr. Zhang has been the Executive Chairman of privately-held Crossbar, Inc., since March 2019. Mr. Zhang earned his M.S. in Physics from the University of Massachusetts and his Ph.D. in Electrical Engineering from Worcester Polytechnic Institute. Mr. Zhang is a valuable member of the Valens Board of Directors because of his extensive experience as an entrepreneur and his prior track record as a senior executive and director.

*Adi Yarel Toledano* has served as a general partner and a CFO at TLV Partners, a leading Israeli venture capital since 2018. Ms. Yarel Toledano has two decades of experience with global financial management, private fundraising, merger & acquisitions and portfolio management. At TLV Partners Ms. Yarel Toledano is in charge of all finance, legal and operations related matters including fund planning, deals structuring, fundraising, reporting, compliance, portfolio monitoring, risk management. Before joining TLV Partners Ms. Yarel Toledano was a partner CFO at Magma Ventures Partners for 14 years. Through her years as a general partner Ms. Yarel Toledano has worked closely with dozens of portfolio companies’ management and financial teams helping them grow from seed to global market leaders. Ms. Yarel Toledano is a Certified Public Accountant (CPA) in Israel and holds her B.A. in Accounting and Business Administration from the College of Management of Tel Aviv, Israel. Ms. Yarel Toledano is a valuable member of the Valens Board of Directors because of her extensive experience in venture capital and her prior track record as a senior executive.

### **Family Relationships**

There are no family relationships between any of our executive officers and our directors.

### **Arrangements for Election of Directors and Members of Management**

There are no arrangements or understandings with major shareholders or others pursuant to which any of our executive officers or directors are selected.

## **B. COMPENSATION**

### **Compensation of Directors and Executive Officers**

#### *Directors*

Under the Companies Law, the compensation of a public company’s directors requires the approval of (i) its compensation committee, (ii) its board of directors and (iii) the approval of its shareholders at a general meeting, unless exempted pursuant to regulations promulgated under the Companies Law. In addition, if the compensation of a public company’s directors is inconsistent with the company’s compensation policy, then those inconsistent provisions must be separately considered by the compensation committee and board of directors, and approved by the shareholders by a special vote in one of the following two ways:

- at least a majority of the shares held by all shareholders who are not controlling shareholders and do not have a personal interest in such matter, present and voting at such meeting, vote in favor of the inconsistent provisions of the compensation package, excluding abstentions; or

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- the total number of shares of non-controlling shareholders and shareholders who do not have a personal interest in such matter voting against the inconsistent provisions of the compensation package does not exceed two percent (2%) of the aggregate voting rights in the Company.

### *Executive Officers other than the Chief Executive Officer*

The Companies Law requires the approval of the compensation of a public company's executive officers (other than the Chief Executive Officer) in the following order: (i) the compensation committee, (ii) the company's board of directors, and (iii) only if such compensation arrangement is inconsistent with the company's stated compensation policy, the company's shareholders (by a special majority vote as discussed above with respect to the approval of director compensation). However, if the shareholders of the company decline to approve a compensation arrangement with an executive officer that is inconsistent with the company's stated compensation policy, the compensation committee and board of directors may override the shareholders' decision if each of the compensation committee and the board of directors provide detailed reasons for their decision.

An amendment to an existing arrangement with an office holder requires only the approval of the compensation committee, if the compensation committee determines that the amendment is not material in comparison to the existing arrangement. However, according to regulations promulgated under the Companies Law, an amendment to an existing arrangement with an office holder (who is not a director) who is subordinate to the Chief Executive Officer shall not require the approval of the compensation committee, if (i) the amendment is approved by the Chief Executive Officer, (ii) the company's compensation policy provides that a non-material amendment to the terms of service of an office holder (other than the Chief Executive Officer) may be approved by the Chief Executive Officer and (iii) the engagement terms are consistent with the company's compensation policy.

### *Chief Executive Officer*

Under the Companies Law, the compensation of a public company's chief executive officer is required to be approved by: (i) the company's compensation committee, (ii) the company's board of directors and (iii) the company's shareholders (by a special vote as discussed above with respect to the approval of director compensation that is inconsistent with the compensation policy). However, if the shareholders of the company do not approve the compensation arrangement with the chief executive officer, the compensation committee and board of directors may override the shareholders' decision provided that they each document the basis for their decision and the compensation is in accordance with the company's compensation policy.

In the case of a new chief executive officer, the compensation committee may waive the shareholder approval requirement with regard to the compensation of a candidate for the chief executive officer position if the compensation committee determines that: (i) the compensation arrangement is consistent with the company's compensation policy, (ii) the chief executive officer candidate did not have a prior business relationship with the company or a controlling shareholder of the company and (iii) subjecting the approval of the engagement to a shareholder vote would impede the company's ability to employ the chief executive officer candidate. However, if the chief executive officer candidate will serve as a member of the board of directors, such candidate's compensation terms as chief executive officer must be approved in accordance with the rules applicable to approval of compensation of directors.

### **Aggregate Compensation of Executive Officers and Directors**

The aggregate compensation expensed, including share-based compensation and other compensation expensed by us, to our directors and executive officers with respect to the year ended December 31, 2021 was \$11.1 million. This amount includes approximately \$0.3 million aside or accrued to provide pension, severance, retirement, or similar benefits, but does not include business travel, relocation, professional and business association dues and expenses reimbursed to office holders, and other benefits commonly reimbursed or paid by companies in Israel.

As of December 31, 2021, options to purchase 7,410,001 Ordinary Shares granted to our executive officers and directors as a group were outstanding under our equity incentive plans at a weighted average exercise price of \$0.75 per Ordinary Share as well as 7,398 Restricted Stock Units (RSUs).

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The table below sets forth the compensation paid to our five most highly compensated executive officers in 2021, or the “Covered Executives” during or with respect to the year ended December 31, 2021. We refer to the five individuals for whom disclosure is provided herein as our “Covered Executives”. All amounts reported reflect the cost to the Company as recognized in our financial statements for the year ended December 31, 2021. U.S. dollar amounts indicated for compensation of our Covered Executives are in thousands of dollars.

For purposes of the table and the summary below, “compensation” includes base salary, bonuses, equity-based compensation, retirement or termination payments, benefits and perquisites such as car, phone and social benefits and any undertaking to provide such compensation.

### **Summary Compensation Table**

<b>Name and Principal Position <sup>(2)</sup></b>	<b>Information Regarding the Covered Executive <sup>(1)</sup></b> <b>(thousands of dollars)</b>				<b>Total</b>
	<b>Base Salary</b>	<b>Benefits and Perquisites <sup>(3)</sup></b>	<b>Bonus Payments</b>	<b>Equity-Based Compensation <sup>(4)</sup></b>	
Gideon Ben Zvi <sup>(5)</sup>	368	72	798	5,539	6,777
Dror Heldenberg	260	56	784	398	1,498
Gideon Kedem	238	51	31	387	707
Gabi Shriki	240	53	76	103	472
Eyran Lida	232	48	30	158	468

- (1) In accordance with Israeli law, all amounts reported in the table are in terms of cost to our company, as recorded in our financial statements.
- (2) All current executive officers listed in the table are full-time employees. Cash compensation amounts denominated in currencies other than the U.S. dollar were converted into U.S. dollars at the average conversion rate for the year ended December 31, 2021.
- (3) Amounts reported in this column include benefits and perquisites, including those mandated by applicable law. Such benefits and perquisites may include, to the extent applicable to each executive, payments, contributions and/or allocations for savings funds, pension, severance, vacation, car or car allowance, medical insurances and benefits, risk insurances (such as life, disability and accident insurances), convalescence pay, payments for social security, tax gross-up payments and other benefits and perquisites consistent with our guidelines.
- (4) Amounts reported in this column represent the expense recorded in our financial statements for the year ended December 31, 2021 with respect to equity-based compensation. Assumptions and key variables used in the calculation of such amounts are described in Note 12 to our audited consolidated financial statements, which are included in this Annual Report. The relevant amounts underlying the equity awards granted to our officers during 2021, will continue to be expensed in our financial statements over a four-year period during the years 2022-2025 on account of the 2021 grants in similar annualized amounts. All equity-based compensation grants to our Covered Executives were approved by the company’s compensation committee and board of directors.
- (5) Gideon Ben-Zvi’s Equity-Based Compensation includes an amount related to the acceleration of Ordinary Shares in the total amount of 3,396 thousand Dollars, with respect to the listing of the Company as a public Company in the New York Stock Exchange (NYSE).

### ***Non-Employee Directors' Compensation***

We pay each of our non-employee directors (other than the Chairperson of the board) an annual cash payment of \$ 40,000. The Chairperson of the board is entitled to an annual cash payment of (i) \$80,000; or (ii) if, prior to the listing day, such Chairperson received an annual cash payment from the Company that is higher than the amount set forth in sub-clause (i), such higher amount, in which case, he will not be entitled to an additional payment for his membership in any board committee or for serving in the chair position thereof. Accordingly, we pay our Chairperson, Mr. Mertens, an amount of \$96,000. In addition, we pay each of our non-employee directors who serves on a board committee, the following annual payment in addition to the annual cash payment mentioned above: per membership of the audit committee, \$10,000 (or \$15,000 for the chairperson); per membership of the compensation committee \$8,000 (or \$12,000 for the chairperson); per membership of the nominating, governance and sustainability committee, \$7,000 (or \$10,000 for the Chairperson), and per membership of a general committee, \$5,000 (or \$7,000 for the chairperson). In addition, upon election (provided the director is still in office), non-employee directors, shall be granted with equity awards under our incentive plan at a value of \$175,000 (composed of restricted share unites at a fair market value of \$116,725 and options to purchase ordinary shares with a fair market value of up to \$58,275) which shall vest on a quarterly basis over a period of three years (the "Welcome Equity Grant"), and as of the fiscal year thereafter (provided the director is still in office), with annual equity awards at a value of \$150,000 (composed of restricted share unites at a fair market value of \$100,000 and options to purchase ordinary shares with a fair market value of up to \$50,000) which shall vest on a quarterly basis over a period of one year (the "Annual Equity Grant"). The awards shall be accelerated in certain change of control events. The fair market value of restricted share unites is calculated in accordance with the definition included in our 2021 share incentive plan and the exercise price of the options equals to the average stock market price of the 30-trading day period preceding the date of the grant.

### **Employment agreements with executive officers**

We have entered into written employment agreements with each of our executive officers. These agreements provide for notice periods of varying duration for termination of the agreement by us or by the relevant executive officer, during which time the executive officer will continue to receive base salary and benefits. These agreements also contain customary provisions regarding non-competition, confidentiality of information and assignment of inventions. However, the enforceability of the non-competition provisions may be limited under applicable law.

### **Equity Incentive Plans**

#### ***2007 Share Option Plan***

Valens' 2007 Share Option Plan (the "**2007 Plan**") was adopted by its board of directors on October 25, 2007. The 2007 Plan provides for the grant of options to our employees, directors, office holders, service providers and consultants of Valens.

*Authorized Shares.* As of December 31, 2021, there were options to purchase 1,338,036 Ordinary Shares outstanding under the 2007 Plan. Ordinary shares subject to options granted under the 2007 Plan that expire or become unexercisable without having been exercised in full will become available again for future grant under the 2021 Share Incentive Plan (the "**2021 Plan**").

*Administration.* Valens' board of directors, or a duly authorized committee of Valens' board of directors, administers the 2007 Plan. Under the 2007 Plan, the administrator has the authority, subject to applicable law, to interpret the terms of the 2007 Plan and any notices of grant or options granted thereunder, designate recipients of option grants, determine and amend the terms of options, including the exercise price of an option, the fair market value of an Ordinary Share, the time and vesting schedule applicable to an option grant or the method of payment for an option, accelerate or amend the vesting schedule applicable to an option grant, prescribe the forms of agreement for use under the 2007 Plan and take all other actions and make all other determinations necessary for the administration of the 2007 Plan. If the administrator is a duly authorized committee of our board of directors, Valens' board of directors will determine the grant of options to be made, if any, to members of such committee.

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The administrator also has the authority to amend and rescind rules and regulations relating to the 2007 Plan or terminate the 2007 Plan at any time before the date of expiration of its ten-year term.

*Eligibility.* The 2007 Plan provides for granting options under various tax regimes, including, without limitation, in compliance with Section 102 (“**Section 102**”) of the Israeli Income Tax Ordinance (New Version), 5721-1961 (the “**Ordinance**”) and unapproved Section 102 options.

Section 102 of the Ordinance allows employees, directors and officers who are not “controlling shareholders” (as used under the Ordinance) and are considered Israeli residents to receive favorable tax treatment for compensation in the form of shares or options under certain terms and conditions. Section 102 includes two alternatives for tax treatment involving the issuance of options or shares to a trustee for the benefit of the grantees and also includes an additional alternative for the issuance of options or shares directly to the grantee. Section 102(b)(2) of the Ordinance, the most favorable tax treatment for the grantee, permits the issuance to a trustee under the “capital gain track”.

*Grant.* All options granted pursuant to the 2007 Plan are evidenced by an option agreement, in a form approved, from time to time, by the administrator, in its sole discretion. The option agreement sets forth the terms and conditions of the option, including the type of option, number of shares subject to such option, vesting schedule and conditions (including performance goals or measures) and the exercise price, if applicable. Each option will expire ten years from the date of the grant thereof, unless such shorter term of expiration is otherwise designated by the administrator.

*Awards.* The 2007 Plan provides for options to purchase shares which may be made available from the authorized but unissued shares of Valens or from shares held in Valens’ treasury and not reserved for some other purpose.

*Exercise.* An option under the 2007 Plan may be exercised by providing Valens with a written notice of exercise and full payment of the exercise price for such shares underlying the option, if applicable, in such form and method as may be determined by the administrator and permitted by applicable law. Such notice is irrevocable and may not be resigned or revised once it has been delivered to Valens its representative. An option may not be exercised for a fraction of a share. With regard to tax withholding, exercise price and purchase price obligations arising in connection with options under the 2007 Plan, the administrator may, in its discretion, among others, accept cash or otherwise provide for net withholding of shares in a cashless exercise mechanism.

*Transferability.* Neither the options nor any right in connection with such options are assignable or transferable.

*Termination of Employment.* In the event of termination of a grantee’s employment or service with Valens, all vested and exercisable options held by such grantee as of the date of termination may be exercised within three months after such date of termination, unless otherwise determined by the administrator. After such three-month period, all such unexercised options will terminate and the shares covered by such options shall again be available for issuance under the 2007 Plan.

In the event of termination of a grantee’s employment or service with Valens due to such grantee’s death, retirement or “disability” (as defined in the 2007 Plan), all vested and exercisable options held by such grantee as of the date of termination may be exercised by the grantee or the grantee’s legal representative or authorized assignee, as applicable, within (i) 12 months after such date death or the Termination Date due to disability (as the case may be) or (ii) the expiration date. Any options which are unvested as of the date of such termination or which are vested but not then exercised within the 12 months period following such date, will terminate and the shares covered by such options shall again be available for issuance under the 2007 Plan.

Notwithstanding any of the foregoing, if a grantee’s employment or services with Valens is terminated for “cause” (as defined in the 2007 Plan), all outstanding options held by such grantee (whether vested or unvested) will terminate on the date of such termination and the shares covered by such options shall again be available for issuance under the 2007 Plan.

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*Liquidation.* In the event of the proposed dissolution or liquidation of the Company, all options will expire immediately prior to the consummation of such proposed action, unless otherwise provided by the administrator.

*Structural Change.* In the event of a merger, acquisition, shares sale or assets sale, then without the consent of the grantee, the administrator may, but is not required to, (i) cause any outstanding option to be assumed or substituted by such successor corporation, or (ii) provide for an exchange of outstanding options or shares for a monetary compensation; and/or (iii) determine that all unvested options and un-exercised vested Options shall expire on the date of such Structural Change. Notwithstanding the foregoing, the administrator may upon such event amend, modify or terminate the terms of any option as it shall deem, in good faith, appropriate.

### **2012 Share Option Plan**

Valens' 2012 Share Option Plan (the "**2012 Option Plan**") was adopted by its board of directors on February 15, 2012. The 2012 Option Plan provides for the grant of options to our employees, directors, office holders, service providers and consultants of Valens.

*Authorized Shares.* As of December 31, 2021, there were options outstanding to purchase 14,054,403 Ordinary Shares under the 2012 Option Plan. Ordinary shares subject to options granted under the 2012 Option Plan that expire or become unexercisable without having been exercised in full will become available again for future grant under the 2021 Plan.

Any Shares (a) underlying an option granted under the 2012 Option Plan or an option granted under the 2007 Plan (and any sub-plans) (the "**Prior Plan**") (in an amount not to exceed 16,235,405 Shares under the Prior Plan(s)) that has expired, or was cancelled, terminated, forfeited or settled in cash in lieu of issuance of shares, for any reason, without having been exercised; (b) any Shares issued under the Prior Plan and later repurchased by the Company pursuant to any repurchase right which the Company may have, or (c) shares that are subject to options previously granted under the Prior Plan that are used to pay the exercise price of an option or to satisfy the Tax obligations related to an option; shall automatically, and without any further action on the part of Valens or any grantee, again be available for grant of options and shares issued upon exercise of (if applicable) vesting thereof for the purposes of the 2012 Option Plan (unless the 2012 Option Plan shall have been terminated) or unless the board determines otherwise. Such shares may, in whole or in part, be authorized but unissued shares.

*Administration.* Valens' board of directors, or a duly authorized committee of Valens' board of directors, administers the 2012 Option Plan. Under the 2012 Option Plan, the administrator has the authority, subject to applicable law, to interpret the terms of the 2012 Option Plan and any notices of grant or options granted thereunder, designate recipients of option grants, determine and amend the terms of options, including the exercise price of an option, the fair market value of an Ordinary Share, the time and vesting schedule applicable to an option grant or the method of payment for an option, accelerate or amend the vesting schedule applicable to an option grant, prescribe the forms of agreement for use under the 2012 Option Plan and take all other actions and make all other determinations necessary for the administration of the 2012 Option Plan. If the administrator is a duly authorized committee of our board of directors, Valens' board of directors will determine the grant of options to be made, if any, to members of such committee.

The administrator also has the authority to amend and rescind rules and regulations relating to the 2012 Option Plan or terminate the 2012 Option Plan at any time before the date of expiration of its ten-year term.

*Eligibility.* The 2012 Option Plan provides for granting options under various tax regimes, including, without limitation, in compliance with Section 102 of the Ordinance, unapproved Section 102 options, and Section 3(i) of the Ordinance.

Section 102 of the Ordinance allows employees, directors and officers who are not "controlling shareholders" (as used under the Ordinance) and are considered Israeli residents to receive favorable tax treatment for compensation in the form of shares or options under certain terms and conditions. Our non-employee service providers and controlling shareholders who are considered Israeli residents may only be granted options under

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section 3(i) of the Ordinance, which does not provide for similar tax benefits. Section 102 includes two alternatives for tax treatment involving the issuance of options or shares to a trustee for the benefit of the grantees and also includes an additional alternative for the issuance of options or shares directly to the grantee. Section 102(b)(2) of the Ordinance, the most favorable tax treatment for the grantee, permits the issuance to a trustee under the “capital gain track”.

*Grant.* All options granted pursuant to the 2012 Option Plan are evidenced by an option agreement, in a form approved, from time to time, by the administrator, in its sole discretion. The option agreement sets forth the terms and conditions of the option, number of shares subject to such option, vesting schedule and conditions (including performance goals or measures) and the exercise price, if applicable. Each option will expire ten years from the date of the grant thereof, or upon the earlier termination of the grantee’s employment, unless such shorter term of expiration is otherwise designated by the administrator.

*Awards.* The 2012 Option Plan provides for options to purchase shares which may be made available from the authorized but unissued shares of Valens or from shares held in Valens’ treasury and not reserved for some other purpose.

*Vesting of Options.* Unless otherwise determined by the Administration with respect to any, some or all options, each option shall vest over a 4-year period from the date of grant, with one quarter of such options becoming vested on the first anniversary of such grant, and the remaining portion in equal parts every quarter from the first anniversary and until the fourth anniversary of such grant or as otherwise indicated in the grantee’s option agreement. An option may be subject to such other terms and conditions on the time or times when it may be exercised (including by way of performance conditions), as the Administration may deem appropriate. The vesting provisions of individual options may vary.

Unless otherwise determined by the Administration, the vesting of an option shall be postponed during any un-paid leave of absence (excluding paid vacation, sick leave, paid maternity leave, infant care leave, medical emergency leave, military reserve duty). Upon return to service, the vesting shall continue and the vesting dates shall be postponed in accordance with the period of un-paid leave. Additionally, the vesting of an option shall continue upon any transfer of a grantee between the Company and any affiliate (or between affiliates), as well as upon any change of grantee’s engagement status with the Company or an affiliate from employee to consultant or vice versa.

*Exercise.* An option under the 2012 Option Plan may be exercised by providing Valens with a written notice of exercise and full payment of the exercise price for such shares underlying the option, if applicable, in such form and method as may be determined by the administrator and permitted by applicable law. Such notice is irrevocable and may not be resigned or revised once it has been delivered to Valens its representative. An option may not be exercised for a fraction of a share. With regard to tax withholding, exercise price and purchase price obligations arising in connection with options under the 2012 Option Plan, the administrator may, in its discretion, among others, accept cash or otherwise provide for net withholding of shares in a cashless exercise mechanism.

*Transferability.* Neither the options nor any right in connection with such options are assignable or transferable.

*Termination of Employment.* In the event of termination of a grantee’s employment or service with Valens or any of its affiliates, all vested and exercisable options held by such grantee as of the date of termination may be exercised within three months after such date of termination, unless otherwise determined by the administrator. After such three-month period, all such unexercised options will terminate and the shares covered by such options shall again be available for issuance under the 2012 Option Plan.

In the event of termination of a grantee’s employment or service with Valens or any of its affiliates due to such grantee’s death, retirement or “disability” (as defined in the 2012 Option Plan), all vested and exercisable options held by such grantee as of the date of termination may be exercised by the grantee or the grantee’s legal representative or authorized assignee, as applicable, within 12 months after such date of termination, unless otherwise provided by the administrator. Any options which are unvested as of the date of such termination or which are vested but not then exercised within the 12 months period following such date, will terminate and the shares covered by such options shall again be available for issuance under the 2012 Option Plan.



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Notwithstanding any of the foregoing, if a grantee's employment or services with Valens or any of its affiliates is terminated for "cause" (as defined in the 2012 Option Plan), all outstanding options held by such grantee (whether vested or unvested) will terminate on the date of such termination and the shares covered by such options shall again be available for issuance under the 2012 Option Plan.

*Liquidation.* In the event of the proposed dissolution or liquidation of the Company, all Options will expire immediately prior to the consummation of such proposed action.

*M&A Transaction.* In the event of a merger, acquisition, shares sale or assets sale (each, an "M&A Transaction"), then without the consent of the grantee, the administrator may, at its sole discretion, (i) cause any outstanding option to be assumed or substituted by such successor corporation, (ii) provide for an exchange of options or shares for a monetary compensation; (iii) determine that all unvested Options and un-exercised vested Options shall expire on the date of such M&A Transaction; and/or (iv) determine that the exchange, assumption, conversion or purchase detailed above will be made subject to any payment or escrow arrangement, or any other arrangement determined within the scope of the M&A Transaction in relation to the ordinary shares of the Company. Notwithstanding the foregoing, the administrator may upon such event amend, modify or terminate the terms of any option as it shall deem, in good faith, appropriate.

### **2021 Share Incentive Plan**

The 2021 Share Incentive Plan (the "2021 Plan"), was adopted by our board of directors on August 15, 2021. The 2021 Plan provides for the grant of equity-based incentive awards to our employees, directors, officers, consultants, advisors and other persons or entities who provide services to us in order to incentivize them to increase their efforts on behalf of the Company and to promote the success of the Company's business.

*Shares Available for Grants.* As of December 31, 2021, there were 140,458 Ordinary Shares underlying outstanding awards (including options and RSUs) under the 2021 Plan, and 8,393,683 Ordinary Shares available for future grant under the 2021 Plan. The maximum number Ordinary shares available for issuance under the 2021 Plan is equal to the sum of (i) 8,534,141 shares, (ii) any shares subject to awards under the 2007 and the 2012 Option Plans that expire, or are cancelled, terminated, forfeited or settled in cash in lieu of issuance of shares or became un-exercisable without having been exercised (in an amount not to exceed 15,442,421 shares under the 2007 and the 2012 Option Plans), and (iii) an annual increase on the first day of each year beginning in 2022 and on January 1st of each calendar year thereafter during the term of the 2021 Plan, equal to the lesser of (a) 5% of the outstanding Ordinary shares of the Company on the last day of the immediately preceding calendar year, and (b) provided that on each January 1st, an amount of at least five percent (5%) of the total number of Company Ordinary Shares, on a fully diluted basis, will be available for grant under the 2021 Plan, such smaller amount of Shares as is determined by the Board, if so determined prior to the January 1st of the calendar year in which the increase will occur (in each case, without the need to amend the Plan in case of such determination). No more than 8,534,141 Ordinary shares may be issued upon the exercise of incentive stock options. If permitted by our board of directors, shares tendered to pay the exercise price or withholding tax obligations with respect to an award granted under the 2021 Plan, the 2012 Option Plan or the 2007 Plan, may again be available for issuance under the 2021 Plan. Our board of directors may also reduce the number of ordinary shares reserved and available for issuance under the 2021 Plan in its discretion.

*Administration.* Our board of directors or a duly authorized committee of our board of directors will administer the 2021 Plan. Under the 2021 Plan, the administrator has the authority, subject to applicable law, to interpret the terms of the 2021 Plan and any award agreements or awards granted thereunder, designate recipients of awards, determine and amend the terms of awards, including the exercise price of an option award, the fair market value of an ordinary share, the time and vesting schedule applicable to an award or the method of payment for an award, accelerate or amend the vesting schedule applicable to an award, prescribe the forms of agreement for use under the 2021 Plan, determine the tax track for the purpose of awards subject to Section 102 of the Ordinance and take all other actions and make all other determinations necessary for the administration of the 2021 Plan.



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The administrator also has the authority to approve the conversion, substitution, cancellation or suspension under and in accordance with the 2021 Plan of any or all option awards or Ordinary shares, and the authority to modify option awards to eligible individuals who are foreign nationals or are individuals who are employed outside Israel to recognize differences in local law, tax policy or custom, in order to effectuate the purposes of the 2021 Plan but without amending the 2021 Plan.

The administrator also has the authority to amend and rescind rules and regulations relating to the 2021 Plan or terminate the 2021 Plan at any time before the date of expiration of its ten year term.

*Eligibility.* The 2021 Plan provides for grants of awards under various tax regimes, including, without limitation, in compliance with Section 102 of the Ordinance, and Section 3(i) of the Ordinance and, for awards granted to our United States employees or service providers (including those who are deemed to be residents of the United States for tax purposes), Section 422 of the Code and Section 409A of the Code. For a description of the implications of Section 102, see above under the description of the 2019 Option Plan.

*Grants.* All awards granted pursuant to the 2021 Plan will be evidenced by an award agreement, in a form approved by the administrator in its sole discretion. The award agreement will set forth the terms and conditions of the award, including the type of award, number of shares subject to such award, vesting schedule and conditions (including performance goals or measures) and the exercise price, if applicable. Certain awards under the 2021 Plan may constitute or provide for a deferral of compensation, subject to Section 409A of the Code, which may impose additional requirements on the terms and conditions of such awards.

Each Award Agreement shall provide the vesting schedule for the award as determined by the administrator. The administrator shall have the authority to determine the vesting schedule and accelerate the vesting of any outstanding award at such time and under such circumstances as it, in its sole discretion, deems appropriate.

*Awards.* The 2021 Plan provides for the grant of stock options (including incentive stock options and nonqualified stock options), Ordinary Shares, restricted shares, RSUs, stock appreciation rights and other share-based awards.

Options granted under the 2021 Plan to Company employees who are U.S. residents may qualify as “incentive stock options” within the meaning of Section 422 of the Code, or may be non-qualified stock options. The exercise price of an option may not be less than the par value of the shares (if the shares bear a par value) for which such option is exercisable. The exercise price of an Incentive Stock Option may not be less than 100% of the fair market value of the underlying share on the date of grant or such other amount as may be required pursuant to the Code, and in the case of Incentive Stock Options granted to ten percent stockholders, not less than 110%.

*Exercise.* An award under the 2021 Plan may be exercised by providing the Company with a written or electronic notice of exercise and full payment of the exercise price for such shares underlying the award, if applicable, in such form and method as may be determined by the administrator and permitted by applicable law. An award may not be exercised for a fraction of a share. With regard to tax withholding, exercise price and purchase price obligations arising in connection with awards under the 2021 Plan, the administrator may, in its discretion, accept cash, provide for net withholding of shares in a cashless exercise mechanism or direct a securities broker to sell shares and deliver all or a part of the proceeds to the Company or the trustee.

*Transferability.* Other than by will, the laws of descent and distribution or as otherwise provided under the 2021 Plan, neither the options nor any right in connection with such options are assignable or transferable.

*Termination of Employment.* In the event of termination of a grantee’s employment or service with the Company or any of its affiliates (other than by reason of death or permanent disability), all vested and exercisable awards held by such grantee as of the date of termination may be exercised within three months after such date of termination, unless otherwise determined by the administrator. After such three month period, all such unexercised awards will terminate and the shares covered by such awards shall again be available for issuance under the 2021 Plan. In the event of termination of a grantee’s employment or service with the Company or any of its affiliates due to such grantee’s death or permanent disability, or in the event of the grantee’s death within the three month period (or such longer period as determined by the administrator) following his or her termination of service, all

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vested and exercisable awards held by such grantee as of the date of termination may be exercised by the grantee or the grantee's legal guardian, estate, or by a person who acquired the right to exercise the award by bequest or inheritance, as applicable, within one year after such date of termination, unless otherwise provided by the administrator. Any awards which are unvested as of the date of such termination or which are vested but not then exercised within the one year period following such date, will terminate and the shares covered by such awards shall again be available for issuance under the 2021 Plan.

Notwithstanding any of the foregoing, if a grantee's employment or services with the Company or any of its affiliates is terminated for "cause" (as defined in the 2021 Plan), all outstanding awards held by such grantee (whether vested or unvested) will terminate on the date of such termination and the shares covered by such awards shall again be available for issuance under the 2021 Plan.

*Voting Rights.* Except with respect to restricted share awards, grantees will not have the rights as a shareholder of the Company with respect to any shares covered by an award until the award has vested and/or the grantee has exercised such award, paid any exercise price for such award and becomes the record holder of the shares. With respect to restricted share awards, grantees will possess all incidents of ownership of the restricted shares, including the right to vote and receive dividends on such shares.

*Dividends.* Grantees holding restricted share awards will be entitled to receive dividends and other distributions with respect to the shares underlying the restricted share award. Any stock split, stock dividend, combination of shares or similar transaction will be subject to the restrictions of the original restricted share award. Grantees holding RSUs will not be eligible to receive dividend but may be eligible to receive dividend equivalents.

*Transactions.* In the event of a share split, reverse share split, share dividend, recapitalization, combination or reclassification of the Company's shares, the administrator in its sole discretion may, and where required by applicable law shall, without the need for a consent of any holder, make an appropriate adjustment in order to adjust (i) the number and class of shares reserved and available for the outstanding awards, (ii) the number and class of shares covered by outstanding awards, (iii) the exercise price per share covered by any award, (iv) the terms and conditions concerning vesting and exercisability and the term and duration of the outstanding awards, and (v) the type or class of security, asset or right underlying the award (which need not be only that of the Company, and may be that of the surviving corporation or any affiliate thereof or such other entity party to any of the above transactions), and (vi) any other terms of the award that in the opinion of the administrator should be adjusted; provided that any fractional shares resulting from such adjustment shall be rounded to the nearest whole share unless otherwise determined by the administrator. In the event of a distribution of a cash dividend to all shareholders, the administrator may determine, without the consent of any holder of an award, that the exercise price of an outstanding and unexercised award shall be reduced by an amount equal to the per share gross dividend amount distributed by the Company, subject to applicable law.

In the event of a merger or consolidation of the Company, or a sale of all, or substantially all, of the Company's shares or assets or other transaction having a similar effect on the Company, or change in the composition of the board of directors, or liquidation or dissolution, or such other transaction or circumstances that the board of directors determines to be a relevant transaction, then without the consent of the grantee, (i) unless otherwise determined by the administrator, any outstanding award will be assumed or substituted by such successor corporation, or (ii) regardless of whether or not the successor corporation assumes or substitutes the award the administrator may (a) provide the grantee with the option to exercise the award as to all or part of the shares, and may provide for an acceleration of vesting of unvested awards, (b) cancel the award and pay in cash, shares of the Company, the acquirer or other corporation which is a party to such transaction or other property as determined by the administrator as fair in the circumstances, or (c) provide that the terms of any award shall be otherwise amended, modified or terminated, as determined by the administrator to be fair in the circumstances.

### **2021 Employee Share Purchase Plan**

The ESPP was adopted by our board of directors on August 15, 2021. The ESPP is comprised of two distinct components: (1) the component intended to qualify for favorable U.S. federal tax treatment under Section 423 of the Code (the "**Section 423 Component**") and (2) the component not intended to be tax qualified under Section 423 of the Code to facilitate participation for employees who are not eligible to benefit from favorable U.S. federal tax treatment and, to the extent applicable, to provide flexibility to comply with non U.S. law and other considerations (the "**Non-Section 423 Component**").

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*Authorized Shares.* The maximum number of shares of our common stock available for issuance under the ESPP will initially not exceed 1,400,000 shares. As of December 31, 2021, there were 1,400,000 Ordinary Shares available for purchase under the ESPP. On the first day of each fiscal year beginning with our 2022 fiscal year and ending on and including the fiscal year of 2030, such pool of Ordinary Shares shall be increased by that number of our Ordinary Shares equal to the lesser of:

- 1% of the outstanding Ordinary Shares as of the last day of the immediately preceding fiscal year, determined on a fully diluted basis; or
- such smaller amount as our board of directors may determine.

In no event will more than 14,000,000 Ordinary Shares (subject to adjustment as provided for in the ESPP) be available for issuance under the Section 423 Component.

*ESPP Administration.* Unless otherwise determined by our board of directors, the compensation committee of our board of directors (or such other committee or sub-committee to which our board of directors delegates administration of the ESPP) will administer the ESPP and will have the authority to interpret the terms of the ESPP, determine eligibility under the ESPP, determine when rights to purchase shares shall be granted and the provisions of each offering of such rights, to impose a mandatory holding period under which employees may not dispose or transfer shares under the ESPP, prescribe, revoke and amend forms, rules and procedures relating to the ESPP, and otherwise exercise such powers and to perform such acts as the administrator deems necessary or expedient to promote the best interests of the Company and its subsidiaries and to carry out the intent that the ESPP be treated as an “employee stock purchase plan” within the meaning of Section 423 of the Code for the Section 423 Component.

*Eligibility.* Participation in the Section 423 Component may be limited in the terms of any offering to exclude an employee of the Company and any of its designated subsidiaries (a) who is a highly-compensated employee (within the meaning of Section 423(b)(4)(D) of the Code), (b) who has not a service requirement set by the administrator of the ESPP pursuant to Section 423(b)(4)(A) of the Code (such requirement not to exceed two years), (c) who customarily works less than 20 hours per week, (d) whose customary employment is for less than five months per fiscal year, and/or(e)who is a citizen or resident of a non-U.S. jurisdiction and the grant of a right to purchase shares under the ESPP to such employee would be prohibited under the laws of such non-U.S. jurisdiction or the grant of a right to purchase shares under the ESPP to such employee in compliance with the laws of such non-U.S. jurisdiction would cause the ESPP to violate the requirements of Section 423 of the Code. Any of the foregoing exclusions must be applied in an identical manner to all employees under each offering period, in accordance with Treasury Regulation Section 1.423-2(e). Under the Section 423 Component, designated subsidiaries include any subsidiary (within the meaning of Section 424(f) of the Code) of the Company that has been designated by our board of directors or the compensation committee as eligible to participate in the ESPP (and if an entity does not so qualify within the meaning of Section 424(f) of the Code, it shall automatically be deemed to be a designated subsidiary in the Non-Section 423 Component). In addition, with respect to the Non-Section 423 Component, designated subsidiaries may include any corporate or noncorporate entity in which the Company has a direct or indirect equity interest or significant business relationship. Under the Section 423 Component, no employee may be granted a purchase right if, immediately after the purchase right is granted, the employee would own (or, under applicable statutory attribution rules, would be deemed to own) shares possessing 5% or more of the total combined voting power or value of all classes of shares of the Company or any of its subsidiaries. In addition, in order to facilitate participation in the ESPP, the compensation committee may provide for such special terms applicable to participants who are citizens or residents of a non-U.S. jurisdiction, or who are employed by a designated subsidiary outside of the U.S., as the compensation committee may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Except as permitted by Section 423 of the Code, with respect to the Non-Section 423 Component, such special terms may not be more favorable than the terms of rights granted under the Section 423 Component to eligible employees who are residents of the United States.

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*Offering Periods.* The ESPP provides for offering periods, not to exceed 27 months each, during which we will grant rights to purchase our Ordinary Shares to our employees. The timing of the offering periods will be determined by the administrator. The terms and conditions applicable to each offering period will be set forth in an offering document adopted by the administrator for the particular offering period. The maximum number of shares that may be purchased by any eligible employee during a particular offering period is 1,500 shares, unless otherwise specified by the administrator in the offering document. The provisions of offerings during separate offering periods under the ESPP need not be identical.

*Contributions.* Our ESPP will permit participants to purchase our Ordinary Shares through contributions (in the form of payroll deductions, or otherwise, to the extent permitted by the administrator). The percentage of compensation designated by an eligible employee as payroll deductions for participation in an offering may not be less than 1% and may not be more than the maximum percentage specified by the administrator in the applicable offering document (which maximum percentage shall be 20% in the absence of any such specification). A participant may increase or decrease the percentage of compensation designated in his or her subscription agreement, or may suspend his or her payroll deductions, at any time during an offering period; provided, however, that the administrator may limit the number of changes a participant may make in the applicable offering document. In the absence of any specific designation by the administrator, a participant may decrease (but not increase) his or her payroll deduction elections one time during each offering period.

*Exercise of Purchase Right.* Amounts contributed and accumulated by the participant will be used to purchase our Ordinary Shares at the end of each offering period. Unless otherwise determined by the administrator, the purchase price of the shares will be 85% of the lower of the fair market value of our Ordinary Shares on (i) the first trading day of the offering period or (ii) the last trading day of the offering period (and may not be lower than such amount with respect to the Section 423 Component). Participants may end their participation at any time during an offering period and will be paid their accrued contributions that have not yet been used to purchase our Ordinary Shares. Participation ends automatically upon termination of employment with us.

*Non-Transferability.* A participant may not transfer contributions credited to his or her account nor any rights granted under our ESPP other than by will, the laws of descent and distribution or as otherwise provided under our ESPP.

*Corporate Transactions.* In the event of certain transactions or events such as a consolidation, merger or similar transaction, a sale or transfer of all or substantially all of the Company's assets, or a dissolution or liquidation of the Company, the administrator may, in its discretion, provide that (i) each outstanding purchase right will be (a) assumed or substituted for a right granted by the acquiror or successor corporation or by a parent or subsidiary of such entity, (b) terminated in exchange for cash or other property as determined by the administrator, (c) adjusted with respect to the number and type of shares (or other securities or property) subject to outstanding rights under the ESPP and/or in the terms and conditions of outstanding rights and rights that may be granted in the future; (d) cancelled with accumulated payroll deductions returned to each participant, or (ii) the participant's accumulated payroll deductions may be used to purchase shares prior to the end of the offering period and before the date of the proposed sale, merger or similar transaction.

*Amendment; Termination.* The administrator will have the authority to amend, suspend or terminate our ESPP. Our ESPP is not subject to a specific termination date.

### **C. BOARD PRACTICES**

As an Israeli company, we are subject to various corporate governance requirements under the Companies Law. However, pursuant to regulations promulgated under the Companies Law, companies with shares traded on certain U.S. stock exchanges, including NYSE, may, subject to certain conditions, "opt out" from the requirements (described below) to appoint external directors and related rules concerning the composition of the audit committee and compensation committee of the board of directors, other than the gender diversification rule, which requires the appointment of a director from the other gender if, at the time a director is appointed, all members of the board of directors are of the same gender. In accordance with these regulations, we elected to "opt out" from these

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requirements of the Companies Law. Under these regulations, the exemptions from such Companies Law requirements will continue to be available to us so long as: (i) we do not have a “controlling shareholder”, as such term is defined under the Companies Law, (ii) our shares are traded on certain U.S. stock exchanges, including the NYSE and NASDAQ, and (iii) we comply with the director independence requirements and the audit committee and compensation committee composition requirements under U.S. laws, including the rules of the applicable exchange, that are applicable to U.S. domestic issuers.

We are a “foreign private issuer”, as such term is defined in Rule 405 under the Securities Act. As a foreign private issuer we are permitted to comply with Israeli corporate governance practices instead of the corporate governance rules of the NYSE, provided that we disclose which requirements we are not following and the equivalent Israeli requirement.

We rely on this “foreign private issuer exemption” with respect to the quorum requirement for shareholder meetings and with respect to NYSE shareholder approval rules. Whereas under the corporate governance rules of NYSE, a quorum requires the presence, in person or by proxy, of holders of at least 33.33% of the total issued outstanding voting power of our shares at each general meeting of shareholders, pursuant to our Amended and Restated Articles of Association, and as permitted under the Companies Law, the quorum required for a general meeting of shareholders consists of at least two shareholders present in person or by proxy in accordance with the Companies Law who hold or represent at least 33.33% of the total outstanding voting power of our shares, except if (i) any such general meeting of shareholders was initiated by and convened pursuant to a resolution adopted by the board of directors and (ii) at the time of such general meeting, we qualify as a “foreign private issuer,” in which case the requisite quorum will consist of two or more shareholders present in person or by proxy who hold or represent at least 25% of the total outstanding voting power of our shares (and if the meeting is adjourned for a lack of quorum, the quorum for such adjourned meeting will be, subject to certain exceptions, any number of shareholders). We otherwise intend to comply with the rules generally applicable to U.S. domestic companies listed on the NYSE. We may, however, in the future decide to rely upon the “foreign private issuer exemption” for purposes of opting out of some or all of the other corporate governance rules.

### **Board of Directors**

Under the Companies Law and our Amended and Restated Articles of Association, our business and affairs are managed under the direction of our board of directors. Our board of directors may exercise all powers and may take all actions that are not specifically granted to our shareholders or to executive management. Our Chief Executive Officer (referred to as a “general manager” under the Companies Law) is responsible for our day-to-day management. Our Chief Executive Officer is appointed by, and serves at the discretion of, our board of directors, subject to the employment agreement that we have entered into with him. All other executive officers are appointed by the Chief Executive Officer, subject to applicable corporate approvals, and are subject to the terms of any applicable employment or consulting agreements that we may enter into with them.

Under our Amended and Restated Articles of Association, the number of directors on our board of directors will be no less than three and no more than eleven, divided into three classes with staggered three-year terms. Each class of directors consists, as nearly as possible, of one-third of the total number of directors constituting the entire board of directors. At each annual general meeting of our shareholders, the election or re-election of directors following the expiration of the term of office of the directors of that class of directors will be for a term of office that expires on the third annual general meeting following such election or re-election. Therefore, beginning with the annual general meeting of 2022, each year the term of office of only one class of directors will expire.

Our directors are divided among the three classes as follows:

- the Class I directors will be Eyal Kishon, Moshe Lichtman and Dror Jerushalmi, their terms will expire at the annual general meeting of shareholders to be held in 2022;
- the Class II directors, will Yahal Zilka, Michael Linse and Gideon Ben Zvi, their terms will expire at our annual meeting of shareholders to be held in 2023; and
- the Class III directors will be Adi Yarel Toledano, Ker Zhang and Peter Mertens, their term will expire at our annual meeting of shareholders to be held in 2024.

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Our directors will generally be appointed by a simple majority vote of holders of Valens ordinary shares, participating and voting (in person or by proxy) at an annual general meeting of our shareholders, provided that (i) in the event of a contested election, the method of calculation of the votes and the manner in which the resolutions will be presented to our shareholders at the general meeting shall be determined by our board of directors in its discretion, and (ii) in the event that our board of directors does not or is unable to make a determination on such matter, then the directors will be elected by a plurality of the voting power represented at the general meeting in person or by proxy and voting on the election of directors.

Each director will hold office until the annual general meeting of our shareholders for the year in which such director's term expires, unless the tenure of such director expires earlier pursuant to the Companies Law or unless such director is removed from office as described below.

Under our Amended and Restated Articles of Association, the approval of the holders of at least 65% of the total voting power of our shareholders is generally required to remove any of our directors from office or amend the provision requiring the approval of at least 65% of the total voting power of our shareholders to remove any of our directors from office. In addition, vacancies on our board of directors may be filled by a vote of a simple majority of the directors then in office. A director so appointed will hold office until the next annual general meeting of our shareholders for the election of the class of directors in respect of which the vacancy was created. In the case of a vacancy due to the number of directors being less than the maximum number of directors stated in our Amended and Restated Articles of Association, the new director filling the vacancy will serve until the next annual general meeting of our shareholders for the election of the class of directors to which such director was assigned by our board of directors.

### *Chairperson of the Board*

Our Amended and Restated Articles of Association, provide that the board of directors shall appoint a member of the board to serve as the Chairperson. Under the Companies Law, the chief executive officer of a public company, or a relative of the chief executive officer, may not serve as the chairperson of the board of directors, and the chairperson of the board of directors, or a relative of the chairperson, may not be vested with authorities of the Chief Executive Officer unless approved by a special majority of the company's shareholders. The shareholders' approval can be effective for a period of five years following an initial public offering, and subsequently, for additional periods of up to three years.

In addition, a person who is subordinated, directly or indirectly, to the chief executive officer may not serve as the chairperson of the board of directors, the chairperson of the board of directors may not be vested with authorities that are granted to persons who are subordinated to the chief executive officer, and the chairperson of the board of directors may not serve in any other position in the company or in a controlled subsidiary, but may serve as a director or chairperson of a controlled subsidiary.

### *External Directors*

Under the Companies Law, companies incorporated under the laws of the State of Israel that are "public companies," including companies with shares listed on the NYSE, are required to appoint at least two external directors. Pursuant to regulations promulgated under the Companies Law, companies with shares traded on certain U.S. stock exchanges, including the NYSE, which do not have a "controlling shareholder," may, subject to certain conditions, "opt out" from the Companies Law requirements to appoint external directors and related Companies Law rules concerning the composition of the audit committee and compensation committee of the board of directors. In accordance with these regulations, we have elected to "opt out" from the Companies Law requirement to appoint external directors and related Companies Law rules concerning the composition of the audit committee and compensation committee of our board of directors.

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### **Director Independence**

The NYSE listing standards require that a majority of our board of directors be independent. An “independent director” is defined generally as a person who has no material relationship with the listed company (either directly or as a partner, stockholder, or officer of an organization that has a relationship with the listed company). Our board of directors has determined that Yahal Zilka, Moshe Lichtman, Michael Linse, Peter Mertens, Eyal Kishon, Ker Zhang and Adi Toledano Yarel are “independent directors” as defined in the NYSE listing standards and applicable SEC rules.

### **Audit Committee**

#### *Companies Law Requirements*

Under the Companies Law, the board of directors of a public company must appoint an audit committee.

#### *Listing Requirements*

Under the corporate governance rules of the NYSE, we are required to maintain an audit committee consisting of at least three independent directors, each of whom is financially literate and one of whom has accounting or related financial management expertise.

Our audit committee consists of Adi Yarel, Peter Mertens, and Ker Zhang. Adi Yarel will serve as the chairperson of the audit committee. All members of our audit committee meet the requirements for financial literacy under the applicable rules and regulations of the SEC and the corporate governance rules of the NYSE. Our board of directors has determined that Adi Yarel is an audit committee financial expert as defined by the SEC rules and has the requisite financial experience as defined by the corporate governance rules of NYSE.

Our board of directors has determined that each member of our audit committee is “independent”, as such term is defined in Rule 10A-3(b)(1) under the Exchange Act, which is different from the general test for independence of board and committee members.

#### *Audit Committee Role*

Our board of directors has adopted an audit committee charter setting forth the responsibilities of the audit committee, which are consistent with the Companies Law, the SEC rules, and the corporate governance rules of the NYSE. These responsibilities include:

- retaining and terminating our independent auditors, subject to ratification by the board of directors, and in the case of retention, subject to ratification by the shareholders;
- pre-approving audit and non-audit services to be provided by the independent auditors and related fees and terms;
- overseeing the accounting and financial reporting processes of our company;
- managing audits of our financial statements;
- preparing all reports as may be required of an audit committee under the rules and regulations promulgated under the Exchange Act;
- reviewing with management and our independent auditor our annual and quarterly financial statements prior to publication, filing, or submission to the SEC;
- recommending to the board of directors the retention and termination of the internal auditor, and the internal auditor’s engagement fees and terms, in accordance with the Companies Law, as well as approving the yearly or periodic work plan proposed by the internal auditor;



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- reviewing with our general counsel and/or external counsel, as deemed necessary, legal and regulatory matters that may have a material impact on the financial statements;
- identifying irregularities in our business administration, inter alia, by consulting with the internal auditor or with the independent auditor, and suggesting corrective measures to the board of directors;
- reviewing policies and procedures with respect to transactions (other than transactions related to compensation or terms of services) between the Company and officers and directors, affiliates of officers or directors, or transactions that are not in the ordinary course of the Company's business and deciding whether to approve such acts and transactions if so required under the Companies Law; and
- establishing procedures for handling employee complaints relating to the management of our business and the protection to be provided to such employees.

### **Compensation Committee**

#### *Companies Law Requirements*

Under the Companies Law, the board of directors of a public company must appoint a compensation committee.

#### *Listing Requirements*

Under the corporate governance rules of the NYSE, we are required to maintain a compensation committee consisting of at least two independent directors.

Our compensation committee consists of Peter Mertens, Michael Linse and Yahal Zilka. Peter Mertens serves as chairperson of the compensation committee. Our board of directors has determined that each member of our compensation committee is independent under the corporate governance rules of the NYSE, including the additional independence requirements applicable to the members of a compensation committee.

#### *Compensation Committee Role*

In accordance with the Companies Law, the responsibilities of the compensation committee are, among others, as follows:

- making recommendations to the board of directors with respect to the approval of the compensation policy for office holders and, once every three years, with respect to any extensions to a compensation policy that was adopted for a period of more than three years;
- reviewing the implementation of the compensation policy and periodically making recommendations to the board of directors with respect to any amendments or updates to the compensation policy;
- resolving whether to approve arrangements with respect to the terms of office and employment of office holders; and
- exempting, under certain circumstances, a transaction with our Chief Executive Officer from the approval of our shareholders.

Our board of directors has adopted a compensation committee charter setting forth the responsibilities of the committee, which are consistent with the corporate governance rules of the NYSE and include among others:

- recommending to our board of directors for its approval a compensation policy, in accordance with the requirements of the Companies Law, as well as other compensation policies, incentive-based compensation plans, and equity-based compensation plans, overseeing the development and implementation of such policies, and recommending to our board of directors any amendments or modifications the committee deems appropriate, including as required under the Companies Law;



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- reviewing and approving the granting of options and other incentive awards to our Chief Executive Officer and other executive officers, including reviewing and approving corporate goals and objectives relevant to the compensation of our Chief Executive Officer and other executive officers, including evaluating their performance in light of such goals and objectives;
- approving and exempting certain transactions regarding office holders' compensation pursuant to the Companies Law; and
- administering our equity-based compensation plans, including without limitation, approving the adoption of such plans, amending and interpreting such plans, and the awards and agreements issued pursuant thereto, and making and determining the terms of awards to eligible persons under the plans.

### *Compensation Policy under the Companies Law*

In general, under the Companies Law, the board of directors of a public company must approve a compensation policy after receiving and considering the recommendations of the compensation committee. In addition, our compensation policy must be approved at least once every three years, first, by our board of directors, upon recommendation of our compensation committee, and second, by a simple majority of Valens ordinary shares present, in person or by proxy, and voting (excluding abstentions) at a general meeting of shareholders, provided that either:

- the majority of such Valens ordinary shares is comprised of shares held by shareholders who are not controlling shareholders and shareholders who do not have a personal interest in such compensation policy; or
- the total number of shares of non-controlling shareholders and shareholders who do not have a personal interest in the compensation policy voting against the policy does not exceed two percent (2%) of the aggregate voting rights in the company.

Under special circumstances, the board of directors may approve the compensation policy despite the objection of the shareholders on the condition that the compensation committee and then the board of directors decide, on the basis of detailed grounds, and after discussing again with the compensation policy, that approval of the compensation policy, despite the objection of shareholders, is for the benefit of the company.

If a company adopts a compensation policy in advance of its initial public offering (or in our case, prior to the closing of the merger) and describes such compensation policy in the prospectus for such offering, then such compensation policy shall be deemed a validly adopted policy in accordance with the Companies Law requirements described above. Furthermore, if the compensation policy is established in accordance with the aforementioned relief, then it will remain in effect for a term of five years from the date such company becomes a public company.

The compensation policy must be based on certain considerations include certain provisions and reference certain matters as set forth in the Companies Law. The compensation policy must serve as the basis for decisions concerning the financial terms of employment or engagement of office holders, including exculpation, insurance, indemnification, or any monetary payment or obligation of payment in respect of employment or engagement. The compensation policy must be determined and later reevaluated according to certain factors, including: the advancement of the company's objectives, business plan and long-term strategy; the creation of appropriate incentives for office holders, while considering, among other things, the company's risk management policy; the size and the nature of the company's operations; and with respect to variable compensation, the contribution of the office holder towards the achievement of the company's long-term goals and the maximization of its profits, all with a long-term objective and according to the position of the office holder. The compensation policy must furthermore consider the following additional factors:

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- the education, skills, experience, expertise, and accomplishments of the relevant office holder;
- the office holder's position and responsibilities;
- prior compensation agreements with the office holder;
- the ratio between the cost of the terms of employment of an office holder and the cost of the employment of other employees of the company, including employees employed through contractors who provide services to the company; in particular the ratio between such cost to the average and median salary of such employees of the company, as well as possible impacts of compensation disparities between them on the work relationships in the company;
- if the terms of employment include variable components, the possibility of reducing variable components at the discretion of the board of directors and setting a limit on the value of non-cash variable equity-based components; and
- if the terms of employment include severance compensation, the term of employment or office of the office holder, the terms of the office holder's compensation during such period, the company's performance during such period, the office holder's individual contribution to the achievement of the company goals and the maximization of its profits, and the circumstances under which the office holder is leaving the company.

The compensation policy must also include, among other things:

- with regards to variable components:
  - with the exception of office holders who report to the chief executive officer, a means of determining the variable components on the basis of long-term performance and measurable criteria; provided that the company may determine that an immaterial part of the variable components of the compensation package of an office holder shall be awarded based on non-measurable criteria, or if such amount is not higher than three months' salary per annum, taking into account such office holder's contribution to the company; or
  - the ratio between variable and fixed components, as well as the limit of the values of variable components at the time of their payment, or in the case of equity-based compensation, at the time of grant.
- a condition under which the office holder will refund to the company, according to conditions to be set forth in the compensation policy, any amounts paid as part of the office holder's terms of employment, if such amounts were paid based on information later to be discovered to be wrong, and such information was restated in the company's financial statements;
- the minimum holding or vesting period of variable equity-based components to be set in the terms of office or employment, as applicable, while taking into consideration long-term incentives; and
- a limit to retirement grants.

Our compensation policy is designed to retain and motivate our directors and executive officers, incentivize superior individual excellence, align the interests of our directors and executive officers with our long-term performance, and provide a risk management tool. To that end, a portion of our executive officer compensation package is targeted to reflect our short and long-term goals, as well as the executive officer's

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individual performance. Our compensation policy also includes measures designed to reduce the executive officer's incentives to take excessive risks that may harm the Company in the long-term, such as limits on the value of cash bonuses and equity-based compensation, limitations on the ratio between the variable and the total compensation of an executive officer, and minimum vesting periods for equity-based compensation.

Our compensation policy also addresses our executive officers' individual characteristics (such as their respective position, education, scope of responsibilities, and contribution to the attainment of our goals) as the basis for compensation variation among our executive officers and considers the internal ratios between compensation of our executive officers and directors and other employees. Pursuant to our compensation policy, the compensation that may be granted to an executive officer may include base salary, annual bonuses, and other cash bonuses (such as a signing bonus and special bonuses with respect to any special achievements, such as outstanding personal achievement, outstanding personal effort, or outstanding company performance), equity-based compensation, benefits and retirement and termination of service arrangements. All cash bonuses are limited to a maximum amount linked to the executive officer's base salary.

An annual cash bonus may be awarded to executive officers upon the attainment of pre-set periodic objectives and individual targets. The annual cash bonus that may be granted to our executive officers, other than our Chief Executive Officer, will be based on performance objectives and a discretionary evaluation of the executive officer's overall performance by our Chief Executive Officer and subject to minimum thresholds. The annual cash bonus that may be granted to executive officers, other than our Chief Executive Officer, may alternatively be based entirely on a discretionary evaluation. Furthermore, our Chief Executive Officer is entitled to approve performance objectives for executive officers who report to him.

The measurable performance objectives of our Chief Executive Officer is determined annually by our compensation committee and board of directors. A non-material portion of the Chief Executive Officer's annual cash bonus, as provided in our compensation policy, may be based on a discretionary evaluation of the Chief Executive Officer's overall performance by the compensation committee and the board of directors.

Under our compensation policy, our executive officers' (including members of our board of directors) equity-based compensation is designed in a manner consistent with the underlying objectives in determining the base salary and the annual cash bonus, with its main objectives being to enhance the alignment between the executive officers' interests with our long-term interests and those of our shareholders and to strengthen the retention and the motivation of executive officers in the long term. Our compensation policy provides for executive officer compensation in the form of share options or other equity-based awards, such as restricted shares and restricted share units, in accordance with our then-current equity incentive plan. All equity-based incentives granted to executive officers shall be subject to vesting periods in order to promote long-term retention of those executive officers. Equity-based compensation shall be granted from time to time and be individually determined and awarded according to the performance, educational background, prior business experience, qualifications, role, and the personal responsibilities of the executive officer.

In addition, our compensation policy contains compensation recovery provisions which allow us, under certain conditions, to recover bonuses paid in excess, enable our Chief Executive Officer to approve an immaterial change in the terms of employment of an executive officer who reports directly him (provided that such changes are in accordance with our compensation policy), and allow us to exculpate, indemnify, and insure our executive officers and directors to the maximum extent permitted by Israeli law subject to certain limitations set forth therein.

Our compensation policy also provides for compensation to the members of our board of directors either (i) in accordance with the amounts provided in the Companies Regulations (Rules Regarding the Compensation and Expenses of an External Director), 5760-2000, as amended by the Companies Regulations (Relief for Public Companies Traded in Stock Exchange Outside of Israel), 5760-2000, as such regulations may be amended from time to time, or (ii) in accordance with the amounts determined in our compensation policy.

### **Nominating, Governance and Sustainability Committee**

Our nominating, governance and sustainability committee consists of Moshe Lichtman, Eyal Kishon and Michael Linse. Moshe Lichtman serves as chairperson of the nominating, governance and sustainability committee. Our board of directors has adopted a nominating, governance and sustainability committee charter setting forth the responsibilities of the committee, which include:

- overseeing and assisting our board in reviewing and recommending nominees for election of directors;
- assessing the performance of the members of our board;
- overseeing the Company's ESG policies, programs, and strategies; and
- establishing and maintaining effective corporate governance policies and practices, including, but not limited to, developing and recommending to our board a set of corporate governance guidelines applicable to our business.

### **Internal Auditor**

Under the Companies Law, the board of directors of a public company must appoint an internal auditor based on the recommendation of the audit committee. The role of the internal auditor is, among other things, to review the company's compliance with applicable law and orderly business procedure. Under the Companies Law, the internal auditor cannot be an interested party, an office holder, or a relative of an interested party or an office holder. Nor may the internal auditor be the company's independent auditor or its representative. An "interested party" is defined in the Companies Law as (i) a holder of 5% or more of the issued share capital or voting power in a company, (ii) any person or entity who has the right to designate one or more directors or to designate the chief executive officer of the company, or (iii) any person who serves as a director or as chief executive officer of the company. As of December 31, 2021, Ms. Dafna Barzilai, CPA from Dafna Barzilai & Co., is acting as our internal auditor

### **Approval of Related Party Transactions under Israeli Law**

#### *Fiduciary Duties of Directors and Executive Officers*

The Companies Law codifies the fiduciary duties that office holders owe to a company. An office holder is defined in the Companies Law as a general manager, chief business manager, deputy general manager, vice general manager, any other person assuming the responsibilities of any of these positions regardless of such person's title, a director, and any other manager directly subordinate to the general manager. Each person listed in the table under "Management—Management and Board of Directors" is an office holder under the Companies Law.

An office holder's fiduciary duties consist of a duty of care and a duty of loyalty. The duty of care requires an office holder to act with the level of care with which a reasonable office holder in the same position would act under the same circumstances. The duty of care includes, among other things, a duty to use reasonable means, in light of the circumstances, to obtain:

- information on the business advisability of a given action brought for the office holder's approval or performed by virtue of the office holder's position; and
- all other important information pertaining to such action.

The duty of loyalty requires an office holder to act in good faith and in the best interests of the Company, and includes, among other things, the duty to:

- refrain from any act involving a conflict of interest between the performance of the office holder's duties in the company and the office holder's other duties or personal affairs;
- refrain from any activity that is competitive with the business of the company;
- refrain from exploiting any business opportunity of the company for the purpose of gaining a personal advantage for the office holder or others; and
- disclose to the company any information or documents relating to the company's affairs which the office holder received as a result of the office holder's position.

Under the Companies Law, a company may approve an act, specified above, which would otherwise constitute a breach of the office holder's fiduciary duty, provided that the office holder acted in good faith, neither the act nor its approval harms the company, and the personal interest of the office holder is disclosed a sufficient time before the approval of such act. Any such approval is subject to the terms of the Companies Law setting forth, among other things, the appropriate bodies of the company required to provide such approval and the methods of obtaining such approval.

*Disclosure of Personal Interests of an Office Holder and Approval of Certain Transactions*

The Companies Law requires that an office holder promptly disclose to the board of directors any personal interest and all related material information known to such office holder concerning any existing or proposed transaction with the company. A personal interest includes an interest of any person in an act or transaction of a company, including a personal interest of one's relative or of a corporate body in which such person or a relative of such person is a 5% or greater shareholder, director, or general manager or in which such person has the right to appoint at least one director or the general manager, but excluding a personal interest stemming solely from one's ownership of shares in the company. A personal interest includes the personal interest of a person for whom the office holder holds a voting proxy or the personal interest of the office holder with respect to the officer holder's vote on behalf of a person for whom he or she holds a proxy even if such shareholder has no personal interest in the matter.

If it is determined that an office holder has a personal interest in a non-extraordinary transaction (meaning any transaction that is in the ordinary course of business, on market terms or that is not likely to have a material impact on the company's profitability, assets or liabilities), approval by the board of directors is required for the transaction unless the company's articles of association provide for a different method of approval. Any such transaction that is adverse to the company's interests may not be approved by the board of directors.

Approval first by the company's audit committee and subsequently by the board of directors is required for an extraordinary transaction (meaning any transaction that is not in the ordinary course of business, not on market terms or that is likely to have a material impact on the company's profitability, assets or liabilities) in which an office holder has a personal interest.

A director and any other office holder who has a personal interest in a transaction which is considered at a meeting of the board of directors or the audit committee may generally (unless it is with respect to a transaction which is not an extraordinary transaction) not be present at such a meeting or vote on that matter unless a majority of the directors or members of the audit committee, as applicable, have a personal interest in the matter. If a majority of the members of the audit committee or the board of directors have a personal interest in the matter, then all of the directors may participate in deliberations of the audit committee or board of directors, as applicable, with respect to such transaction and vote on the approval thereof and, in such case, shareholder approval is also required.

Certain disclosure and approval requirements apply under Israeli law to certain transactions with controlling shareholders, certain transactions in which a controlling shareholder has a personal interest, and certain arrangements regarding the terms of service or employment of a controlling shareholder. For these purposes, a controlling shareholder is any shareholder that has the ability to direct the company's actions, including any shareholder holding 25% or more of the voting rights if no other shareholder owns more than 50% of the voting rights in the company. Two or more shareholders with a personal interest in the approval of the same transaction are deemed to be one shareholder.

#### *Shareholder Duties*

Pursuant to the Companies Law, a shareholder has a duty to act in good faith and in a customary manner toward the company and other shareholders and to refrain from abusing his or her power with respect to the company, including, among other things, in voting at a general meeting and at shareholder class meetings with respect to the following matters:

- an amendment to the company's articles of association;
- an increase of the company's authorized share capital;
- a merger; or
- interested party transactions that require shareholder approval.

In addition, a shareholder has a general duty to refrain from discriminating against other shareholders.

Certain shareholders also have a duty of fairness toward the company. These shareholders include any controlling shareholder, any shareholder who knows that it has the power to determine the outcome of a shareholder vote, and any shareholder who has the power to appoint or to prevent the appointment of an office holder of the company or exercise any other rights available to it under the company's articles of association with respect to the company. The Companies Law does not define the substance of this duty of fairness, except to state that the remedies generally available upon a breach of contract will also apply in the event of a breach of the duty of fairness.

#### *Exculpation, Insurance and Indemnification of Office Holders*

Under the Companies Law, a company may not exculpate an office holder from liability for a breach of the duty of loyalty. An Israeli company may exculpate an office holder in advance from liability to the company, in whole or in part, for damages caused to the company as a result of a breach of duty of care, but only if a provision authorizing such exculpation is included in its articles of association. Our Amended and Restated Articles of Association include such a provision. An Israeli company may not exculpate a director from liability arising out of a prohibited dividend or distribution to shareholders.

An Israeli company may indemnify an office holder from the following liabilities and expenses incurred for acts performed as an office holder, either in advance of an event or following an event, provided a provision authorizing such indemnification is contained in its articles of association:

- a financial liability imposed on him or her in favor of another person pursuant to a judgment, including a settlement or arbitrator's award approved by a court. However, if an undertaking to indemnify an office holder with respect to such liability is provided in advance, then such an undertaking must be limited to events which, in the opinion of the board of directors, can be foreseen based on the company's activities when the undertaking to indemnify is given, and to an amount or according to criteria determined by the board of directors as reasonable under the circumstances, and such undertaking shall detail the above mentioned events and amount or criteria;

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- reasonable litigation expenses, including legal fees, incurred by the office holder (1) as a result of an investigation or proceeding instituted against him or her by an authority authorized to conduct such investigation or proceeding, provided that (i) no indictment was filed against such office holder as a result of such investigation or proceeding; and (ii) no financial liability, such as a criminal penalty, was imposed upon him or her as a substitute for the criminal proceeding as a result of such investigation or proceeding or, if such financial liability was imposed, it was imposed with respect to an offense that does not require proof of criminal intent; and (2) in connection with a monetary sanction;
- reasonable litigation expenses, including legal fees, incurred by the office holder or imposed by a court in proceedings instituted against him or her by the company, on its behalf or by a third-party or in connection with criminal proceedings in which the office holder was acquitted or as a result of a conviction for an offense that does not require proof of criminal intent; and
- expenses, including reasonable litigation expenses and legal fees, incurred by an office holder in relation to an administrative proceeding instituted against such office holder, or certain compensation payments made to an injured party imposed on an office holder by an administrative proceeding, pursuant to certain provisions of the Israeli Securities Law, 5728-1968 (the “Israeli Securities Law”); and
- expenses, including reasonable litigation expenses and legal fees, incurred by an office holder in relation to an administrative proceeding instituted against such office holder pursuant to certain provisions of the Israeli Economic Competition Law, 5748-1988.

An Israeli company may insure an office holder against the following liabilities incurred for acts performed as an office holder if and to the extent provided in the company’s articles of association:

- a breach of the duty of loyalty to the company, to the extent that the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the Company;
- a breach of the duty of care to the company or to a third-party, including a breach arising out of the negligent conduct of the office holder;
- a financial liability imposed on the office holder in favor of a third-party;
- a financial liability imposed on the office holder in favor of a third-party harmed by a breach in an administrative proceeding; and
- expenses, including reasonable litigation expenses and legal fees, incurred by the office holder as a result of an administrative proceeding instituted against him or her, pursuant to certain provisions of the Israeli Securities Law.
- An Israeli company may not indemnify or insure an office holder against any of the following:
  - a breach of the duty of loyalty, except to the extent that the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company;
  - a breach of the duty of care committed intentionally or recklessly, excluding a breach arising out of the negligent conduct of the office holder;
  - an act or omission committed with intent to derive illegal personal benefit; or
  - a fine, monetary sanction, or forfeit levied against the office holder.

Under the Companies Law, exculpation, indemnification, and insurance of office holders must be approved by the compensation committee and the board of directors (and, with respect to directors and the chief executive officer, by the shareholders). However, under regulations promulgated under the Companies Law, the insurance of office holders shall not require shareholder approval and may be approved by only the compensation committee if the engagement terms are determined in accordance with the company's compensation policy, which was approved by the shareholders by the same special majority required to approve a compensation policy, provided that the insurance policy is on market terms and the insurance policy is not likely to materially impact the company's profitability, assets, or obligations.

Our Amended and Restated Articles of Association allow us to exculpate, indemnify, and insure our office holders for any liability imposed on them as a consequence of an act (including any omission) which was performed by virtue of being an office holder. Our office holders are currently covered by a directors and officers' liability insurance policy.

We have entered into agreements with each of our directors and executive officers exculpating them in advance, to the fullest extent permitted by law, from liability to us for damages caused to us as a result of a breach of duty of care, and undertaking to indemnify them to the fullest extent permitted by law. This indemnification is limited to events determined as foreseeable by the board of directors based on our activities and to an amount or according to criteria determined by the board of directors as reasonable under the circumstances.

The maximum indemnification amount set forth in such agreements is limited to an amount equal to the higher of \$100 million and 25% of our total shareholders' equity as reflected in our most recent consolidated financial statements prior to the date on which the indemnity payment is made. The maximum amount set forth in such agreements is in addition to any amount paid (if paid) under insurance and/or by a third-party pursuant to an indemnification arrangement.

In the opinion of the SEC, indemnification of directors and office holders for liabilities arising under the Securities Act, however, is against public policy and therefore unenforceable.

#### **D. EMPLOYEES**

As of December 31, 2021, we had 263 full-time employees. Among our full-time employees as of December 31, 2021, 248 were in Israel.

In regard to our Israeli employees, Israeli labor laws govern the length of the workday, minimum wages for employees, procedures for hiring and dismissing employees, determination of severance pay, annual leave, sick days, advance notice of termination of employment, equal opportunity and anti-discrimination laws and other conditions of employment. Subject to certain exceptions, Israeli law generally requires severance pay upon the retirement, death or dismissal of an employee, and requires us and our employees to make payments to the National Insurance Institute, which is similar to the U.S. Social Security Administration. Our employees have pension plans that comply with the applicable Israeli legal requirements and we make monthly contributions to severance pay funds for all employees, which cover potential severance pay obligations (for additional information see Note 2(l) to the financial statements attached to this Annual Report).

None of our employees work under any collective bargaining agreements. Extension orders issued by the Israeli Ministry of Economy and Industry apply to us and affect matters such as cost of living adjustments to salaries, length of working hours and week, recuperation pay, travel expenses and pension rights.

We have never experienced labor-related work stoppages or strikes.



## E. SHARE OWNERSHIP

For information regarding the share ownership of directors and officers, see Item 7.A. “*Major Shareholders and Related Party Transactions—Major Shareholders.*” For information as to our equity incentive plans, see Item 6.B. “*Director, Senior Management and Employees—Compensation—Equity incentive plans.*”

## ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

### A. MAJOR SHAREHOLDERS

The following table sets forth information relating to the beneficial ownership of our Ordinary Shares as of February 7, 2022 by:

- each person, or group of affiliated persons, known by us to beneficially own more than 5% of outstanding Ordinary Shares;
- each of our directors;
- each of our executive officers; and
- all of our directors and executive officers as a group.

The SEC has defined “beneficial ownership” of a security to mean the possession, directly or indirectly, of voting power and/or investment power over such security. A shareholder is also deemed to be, as of any date, the beneficial owner of all securities that such shareholder has the right to acquire within 60 days after that date through (i) the exercise of any option, warrant or right, (ii) the conversion of a security, (iii) the power to revoke a trust, discretionary account or similar arrangement, or (iv) the automatic termination of a trust, discretionary account or similar arrangement. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, Ordinary Shares subject to options or other rights (as set forth above) held by that person that are currently exercisable, or will become exercisable within 60 days thereafter, are deemed outstanding, while such shares are not deemed outstanding for purposes of computing percentage ownership of any other person. Each person named in the table has sole voting and investment power with respect to all of the Ordinary Shares shown as beneficially owned by such person, except as otherwise indicated in the table or footnotes below.

The percentage of Ordinary Shares beneficially owned is computed on the basis of 98,128,655 Ordinary Shares outstanding as of February 7, 2022.

Unless otherwise indicated, we believe that all persons named in the table have sole voting and investment power with respect to all of our ordinary shares beneficially owned by them.

<u>Name</u>	<u>Beneficially Owned</u>	<u>% out of Issued</u>
<b><i>5% Holders:</i></b>		
Genesis Partners III L.P. (1)	14,683,299	14.96%
Magma Venture Capital (2)	19,140,612	19.51%
Linse Capital LLC (3)	11,190,619	11.40%
GIC Private Limited (4)	5,000,000	5.10%
PTK Holdings LLC (5)	6,605,000	6.73%
<b><i>Executive Officers and Directors:</i></b>		

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Gideon Ben-Zvi (6)	1,954,250	1.99%
Dror Heldenberg (7)	727,872	(*)
Gabi Shriki (8)	377,713	(*)
Gideon Kedem (9)	115,943	(*)
Eyran Lida (10)	1,499,645	1.53%
Peter Mertens (11)	192,743	(*)
Yahal Zilka (12)	19,147,792	19.51%
Eyal Kishon (13)	16,189,358	16.50%
Dror Jerushalmi (14)	2,903,597	2.96%
Moshe Lichtman (15)	3,497,024	3.56%
Michael Linse (16)	11,197,853	11.41%
Ker Zhang (17)	8,441	6.74%
Adi Yarel Toledano (18)	8,441	(*)
<b>All Executive Officers and Directors as a Group</b>	<b>57,820,672</b>	

\* Less than 1%.

- (1) Based on information reported on a Schedule 13G filed on February 9, 2022, consists of 14,683,299 ordinary shares held by Genesis Partners III L.P. Genesis Partners III L.P. is controlled by Eyal Kishon. Kishon otherwise disclaims beneficial ownership over the shares beneficially owned by Genesis Partners III L.P. The address for Genesis Partners III L.P. is Ackerstein Towers, Bldg B, 4th Flr., Herzliya, Israel, 46733.
- (2) Based on information reported on a Schedule 13G filed on February 8, 2022, consists of 2,526,281 ordinary shares held by Magma Venture Capital II (Israel), L.P., 12,817,180 ordinary shares held by Magma Venture Capital II L.P., 293,001 ordinary shares held by Magma Venture Capital II CEO Fund, L.P. and 3,504,150 ordinary shares held by Valens Co Investment Fund L.P. Magma Venture Capital II (Israel), L.P., Magma Venture Capital II L.P. and Magma Venture Capital II CEO Fund, L.P. are controlled by their general partner, Magma Venture Capital Management II LP. Valens Co Investment Fund L.P. is controlled by its co-general partner, Magma Venture Capital Management II L.P. Magma Venture Capital Management II LP is controlled by Magma Venture Partners General Partner Ltd, the directors of which are Yahal Zilka and Modi Rosen. The address for Magma Venture Capital II (Israel), L.P, Magma Venture Capital II L.P., Magma Venture Capital II CEO Fund, L.P. and Valens Co Investment Fund L.P. is 22 Rothschild Blvd., Tel Aviv, 6688218.
- (3) Based on information reported on a Schedule 13G filed on February 11, 2022, consists of 11,190,619 shares held by Linse Capital VAL, LLC (“Linse VAL”). Linse Capital LLC (“Linse Capital”) is the manager of Linse VAL. Michael Linse (“Linse”) is the managing director of Linse Capital. Mr. Linse otherwise disclaims beneficial ownership over the shares beneficially owned by Linse Capital. The address for Linse Capital LLC is 53 Calle Palmeras, Suite 601, San Juan, Puerto Rico 00901.
- (4) Based on information reported on a Schedule 13G filed on October 12, 2021, GIC Private Limited (“GIC”) is a private limited company incorporated in Singapore. GIC is wholly-owned by the Government of Singapore (“GoS” and was set up with the sole purpose of managing Singapore’s foreign reserves for GoS and the Monetary Authority of Singapore (“MAS”). Under the investment management agreement with GoS, GIC has been given the sole discretion to exercise the voting rights attached to, and the disposition of, any shares managed on behalf of GoS. As such, GIC has the sole power to vote and power to dispose of the 3,666,271 securities beneficially owned by it. GIC shares power to vote and dispose of 1,333,729 securities beneficially owned by it with MAS. The Government of Singapore disclaims beneficial ownership of such shares. The address for GIC Private Limited is 168, Robinson Road, #37-01, Capital Tower, Singapore 068912.
- (5) Based on information reported on a Schedule 13G filed on January 31, 2021, consists of 6,605,000 Ordinary Shares. The address of PTK Holdings LLC (the “Sponsor”) is 4601 Wilshire Boulevard Suite 240, Los Angeles, CA 90010-3883.

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- (6) Consists of 1,954,250 Ordinary Shares underlying options to acquire Ordinary Shares exercisable within 60 days of February 7<sup>th</sup>, 2022.
- (7) Consists of 727,872 Ordinary Shares underlying options to acquire Ordinary Shares exercisable within 60 days of February 7<sup>th</sup>, 2022.
- (8) Consists of 377,713 Ordinary Shares underlying options to acquire Ordinary Shares exercisable within 60 days of February 7<sup>th</sup>, 2022.
- (9) Consists of 115,934 Ordinary Shares underlying options to acquire Ordinary Shares exercisable within 60 days of February 7<sup>th</sup>, 2022.
- (10) Consists of 852,413 Ordinary Shares and 647,232 Ordinary Shares underlying options to acquire Ordinary Shares exercisable within 60 days of February 7<sup>th</sup>, 2022.
- (11) Consists of 192,743 Ordinary Shares underlying options and RSUs to acquire Ordinary Shares exercisable within 60 days of February 7<sup>th</sup>, 2022.
- (12) Consists of 7,234 Ordinary Shares underlying options and RSUs to acquire Ordinary Shares exercisable within 60 days of February 7<sup>th</sup>, 2022. In addition, Yahal Zilka is Managing Partner of Magma Venture Capital and may be deemed to share voting and dispositive power of the shares held by Magma Venture Capital described above. Furthermore, Mr. Zilka is a General Partner of Valens Co-Investment Fund and may be deemed to share voting and dispositive power of the 3,504,096 shares held by Valens Co-Investment Fund. Mr. Zilka otherwise disclaims beneficial ownership over the shares beneficially owned by Magma Venture Capital and Valens Co-Investment Fund L.P.
- (13) Consists of 7,234 Ordinary Shares underlying options and RSUs to acquire Ordinary Shares exercisable within 60 days of February 7<sup>th</sup>, 2022. In addition, Eyal Kishon is a General Partner of Genesis Partners III L.P. and may be deemed to share voting and dispositive power of the shares held by Genesis Partners III L.P. described above. Furthermore, Mr. Kishon is a General Partner of Valens S.P.V. and may be deemed to share voting and dispositive power of the 1,498,825 shares held by Valens S.P.V. Mr. Kishon otherwise disclaims beneficial ownership over the shares beneficially owned by Genesis Partners III L.P. and Valens S.P.V.
- (14) Consists of 1,106,428 Ordinary Shares and 1,797,169 Ordinary Shares underlying options to acquire Ordinary Shares exercisable with 60 days of February 7<sup>th</sup>, 2022.
- (15) Consists of 7,234 Ordinary Shares underlying options and RSUs to acquire Ordinary Shares exercisable within 60 days of February 7<sup>th</sup>, 2022.
- (16) Consists of 7,234 Ordinary Shares underlying options and RSUs to acquire Ordinary Shares exercisable within 60 days of February 7<sup>th</sup>, 2022. In addition, Michael Linse is the founder and Managing Director of Linse Capital LLC and may be deemed to share voting and dispositive power of the shares held by Linse Capital LLC described above. Mr. Linse otherwise disclaims beneficial ownership over the shares beneficially owned by Linse Capital described above.
- (17) Consists of 8,441 Ordinary Shares underlying options and RSUs to acquire Ordinary Shares exercisable within 60 days of February 7<sup>th</sup>, 2022.
- (18) Consists of 8,441 Ordinary Shares underlying options and RSUs to acquire Ordinary Shares exercisable within 60 days of February 7<sup>th</sup>, 2022.

## **Registered Holders**

Based on a review of the information provided to us by our transfer agent, as of December 31, 2021, there were 10 registered holders of our shares in the United States, one of which Cede & Co., the nominee of the Depository Trust Company is a United States registered holder, holding approximately 3.66% of our outstanding Ordinary Shares.

## **B. RELATED PARTY TRANSACTIONS**

The below is a description of all reportable related party transactions since January 1, 2020.

### ***Rights of Appointment***

Valens' board of directors consists of nine directors. Pursuant to Valens' articles of association as in effect immediately prior to the Business Combination, certain of Valens' shareholders, including related parties, had rights to appoint directors and observers to its board of directors. As part of the Business Combination, Mr. Ker Zhang joined Valens' board of directors.

All rights to appoint directors and observers terminated upon the closing of the Business Combination.

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### ***Agreements with Officers***

*Employment Agreements.* Valens has entered into employment agreements with each of its executive officers, specifying the terms of each individual's employment or service, as applicable. These agreements provide for notice periods of varying duration for termination of the agreement by us or by the relevant executive officer, during which time the executive officer will continue to receive base salary and benefits. These agreements also contain customary provisions regarding noncompetition, confidentiality of information and assignment of inventions. However, the enforceability of the noncompetition provisions may be limited under applicable law.

In February 2020, the Company changed the employment terms of Mr. Dror Jerushalmi, who is also a member of the Board of Directors, into a fixed term employment of 5 years, ending in January 2025.

*Options and RSUs.* Since Valens' inception, Valens has granted options to purchase Valens ordinary shares and RSUs to its executive officers and directors. Such ordinary shares issuable under these options and RSUs are subject to contractual lock-up provisions under the Amended Articles of Association of the Company.

*Exculpation, indemnification, and insurance.* Valens' Amended and Restated Articles of Association permit it to exculpate, indemnify and insure certain of its officeholders (as such term is defined under the Companies Law) to the fullest extent permitted by the Companies Law. Valens intends to enter into agreements with certain officeholders, exculpating them from a breach of their duty of care to Valens to the fullest extent permitted by law and undertaking to indemnify them to the fullest extent permitted by law, subject to certain exceptions, including with respect to liabilities resulting from the closing of the Business Combination to the extent that these liabilities are not covered by insurance.

### ***Investors' Rights Agreement***

Concurrently with the execution of the Business Combination Agreement, Valens, the Sponsor and certain shareholders of Valens entered into the Investors' Rights Agreement pursuant to which, following completion of the Transactions, Valens agreed to register for resale upon demand certain Valens ordinary shares that are held by the parties thereto from time to time. In certain circumstances, various parties to the Investors' Rights Agreement will also be entitled to customary piggyback registration rights, in each case subject to certain limitations set forth in the Investors' Rights Agreement. In addition, the Investors' Rights Agreement provides that Valens will pay certain expenses relating to such registrations and indemnify the shareholders against certain liabilities. The rights granted under the Investors' Rights Agreement supersede any prior registration, qualification, or similar rights of the parties with respect to Valens securities, and all such prior agreements shall be terminated.

### ***Loans Granted to Members of the Board of Directors or Executive Management***

As of the date of this Annual Report, we have no outstanding loan or guarantee commitments to members of the board of directors or management.

### ***Indemnification Agreements***

We have entered into indemnification agreements with our directors and executive officers. See "Management—Exculpation, Insurance and Indemnification of Directors and Officers."

### ***Other Related Party Transactions***

As of December 31, 2021, and 2020, the Company accrued \$142 and \$0, respectively, for services provided to the SPAC by its Sponsor in connection with the Merger.

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*Approval of Related Party Transactions under Israeli Law*

For a discussion of the approval of related party transactions under Israeli law, see “Management—Approval of Related Party Transactions under Israeli Law.”

**C. INTERESTS OF EXPERTS AND COUNSEL**

Not applicable.

**ITEM 8. FINANCIAL INFORMATION**

**A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION**

See Item 18 of this Annual Report for consolidated financial statements and other financial information.

**Legal Proceedings**

From time to time, Valens may become involved in legal proceedings or be subject to claims arising in the ordinary course of its business. Valens is not currently a party to any legal proceedings, the outcome of which, if determined adversely to Valens, would individually or in the aggregate have a material effect on its business or financial condition.

**B. SIGNIFICANT CHANGES**

None.

**ITEM 9. THE OFFER AND LISTING**

**A. OFFER AND LISTING DETAILS**

The Ordinary Shares and Warrants are listed on The New York Stock Exchange under the symbols “VLN” and “VLNW”, respectively.

**B. PLAN OF DISTRIBUTION**

Not applicable.

**C. MARKETS**

See “Part I, Item 9. The Offer and Listing—A. Offer and Listing Details.”

**D. SELLING SHAREHOLDERS**

Not applicable.

**E. DILUTION**

Not applicable.

**F. EXPENSES OF THE ISSUE**

Not applicable.

**ITEM 10. ADDITIONAL INFORMATION**

**A. SHARE CAPITAL**

Not applicable.

**B. MEMORANDUM AND ARTICLES OF ASSOCIATION**

A copy of our Amended Articles is attached as Exhibit 1.1 to this Annual Report. The information called for by this Item is set forth in Exhibit 2.1 to this Annual Report and is incorporated by reference into this Annual Report.

*Share Capital*

As of December 31, 2021, we had 98,128,655 ordinary shares outstanding.

**C. MATERIAL CONTRACTS**

The following is a summary of each material contract, other than material contracts entered into in the ordinary course of business, to which we are or have been a party, for the two years immediately preceding the date of this Annual Report:

- Form of Indemnification Agreement. See Item 6. “Directors, Senior Management and Employees” for more information about this document.
- Compensation Policy for Directors and Officers. See Item 6. “Directors, Senior Management and Employees” for more information about this document.
- Valens Semiconductor Ltd. 2007 Option Plan. See Item 6. “Directors, Senior Management and Employees” for more information about this document.
- Valens Semiconductor Ltd. 2012 Option Plan. See Item 6. “Directors, Senior Management and Employees” for more information about this document.
- Valens Semiconductor Ltd. 2021 Share Incentive Plan. See Item 6. “Directors, Senior Management and Employees” for more information about this document.
- Valens Semiconductor Ltd. 2021 Employee Stock Purchase Plan. See Item 6. “Directors, Senior Management and Employees” for more information about this document.
- For more information concerning our material contracts, see “Part I, Item 4. Information on the Company” and “Part I, Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions.”

**D. EXCHANGE CONTROLS AND OTHER LIMITATIONS AFFECTING SECURITY HOLDERS**

Israeli law and regulations do not impose any material foreign exchange restrictions on non-Israeli holders of our Ordinary Shares and Warrants. There are currently no Israeli currency control restrictions on payments of dividends or other distributions with respect to our Ordinary Shares or the proceeds from the sale of the Ordinary Shares or Warrants, except for the obligation of Israeli residents to file reports with the Bank of Israel regarding certain transactions. However, legislation remains in effect pursuant to which currency controls can be imposed by administrative action at any time.

The ownership or voting of our Ordinary Shares and Warrants by non-residents of Israel, except with respect to citizens of countries which are in a state of war with Israel, is not restricted in any way by our Amended Articles or by the laws of the State of Israel.

**E. TAXATION**

**MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS**

The following discussion is a summary of the material U.S. federal income tax considerations for U.S. Holders (as defined below) concerning the ownership and disposition of Valens ordinary shares and Valens warrants, as well as the potential application of Section 7874 of the Code to Valens as a result of the Business Combination. This discussion applies only to the Valens ordinary shares and Valens warrants, as the case may be, that are held as “capital assets” within the meaning of Section 1221 of the Code (generally, property held for investment).

The following does not purport to be a complete analysis of all potential tax considerations arising in connection with the ownership and disposal of Valens ordinary shares and Valens warrants. The effects of and consequences under other U.S. federal tax laws, such as estate and gift tax laws, alternative minimum tax or Medicare contribution tax consequences and any applicable state, local or non-U.S. tax laws are not discussed. This discussion is based on the Code, Treasury regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the IRS, in each case in effect as of the date hereof. These authorities may change or be subject to differing interpretations. Any such change or differing interpretation may be applied retroactively in a manner that could adversely affect the tax consequences discussed below. Valens has not sought and will seek any rulings from the IRS regarding the matters discussed below. There can be no assurance the IRS will not take or a court will not sustain a contrary position to that discussed below regarding the tax consequences discussed below.

This discussion does not address all U.S. federal income tax consequences relevant to a holder’s particular circumstances. In addition, it does not address consequences relevant to holders subject to special rules, including, without limitation:

- banks, insurance companies, and certain other financial institutions;
- regulated investment companies and real estate investment trusts;
- brokers, dealers or traders in securities that use a mark to market method of accounting;
- tax-exempt organizations or governmental organizations;
- U.S. expatriates and former citizens or long-term residents of the United States;
- persons holding Valens ordinary shares and/or Valens warrants, as the case may be, as part of a hedge, straddle, constructive sale, or other risk reduction strategy or as part of a conversion transaction or other integrated investment;
- persons subject to special tax accounting rules as a result of any item of gross income with respect to Valens ordinary shares and/or Valens warrants, as the case may be, being taken into account in an applicable financial statement;
- persons that actually or constructively own 5% or more (by vote or value) of the outstanding Valens ordinary shares;
- “controlled foreign corporations,” “passive foreign investment companies,” and corporations that accumulate earnings to avoid U.S. federal income tax;
- S corporations, partnerships or other entities or arrangements treated as partnerships or other flow-through entities for U.S. federal income tax purposes (and investors therein);
- U.S. Holders having a functional currency other than the U.S. dollar;
- persons who hold or received Valens ordinary shares and/or Valens warrants, as the case may be, pursuant to the exercise of any employee stock option or otherwise as compensation; and
- tax-qualified retirement plans.

For purposes of this discussion, a “U.S. Holder” is any beneficial owner of Valens ordinary shares and/or Valens warrants, as the case may be, that is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation) created or organized under the laws of the United States, any state thereof, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or

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- a trust that (1) is subject to the primary supervision of a U.S. court and the control of one or more “United States persons” (within the meaning of Section 7701(a)(30) of the Code), or (2) has a valid election in effect to be treated as a “United States person” (within the meaning of Section 7701(a)(30) of the Code) for U.S. federal income tax purposes.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds Valens ordinary shares and/or Valens warrants, the tax treatment of an owner of such entity will depend on the status of the owner, the activities of the entity or arrangement and certain determinations made at the owner level. Accordingly, entities or arrangements treated as partnerships for U.S. federal income tax purposes and the partners in such partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them.

**YOU ARE URGED TO CONSULT YOUR TAX ADVISOR REGARDING THE U.S. FEDERAL, STATE, AND LOCAL, AND NON-U.S. INCOME AND OTHER TAX CONSEQUENCES TO YOU, IN LIGHT OF YOUR PARTICULAR INVESTMENT OR TAX CIRCUMSTANCES, OF ACQUIRING, HOLDING, AND DISPOSING OF VALENS ORDINARY SHARES AND VALENS WARRANTS.**

### **U.S. Federal Income Tax Treatment of Valens**

#### *Tax Residence of Valens for U.S. Federal Income Tax Purposes*

Although Valens is incorporated and tax resident in Israel, the IRS may assert that it should be treated as a U.S. corporation (and therefore a U.S. tax resident) for U.S. federal income tax purposes pursuant to Section 7874 of the Code. For U.S. federal income tax purposes, a corporation is generally considered a U.S. “domestic” corporation (or U.S. tax resident) if it is organized in the United States, and a corporation is generally considered a “foreign” corporation (or non-U.S. tax resident) if it is not organized in the United States. Because Valens is an entity incorporated and tax resident in Israel, it would generally be classified as a foreign corporation (or non-U.S. tax resident) under these rules. However, Section 7874 of the Code provides an exception under which a foreign incorporated and foreign tax resident entity may, in certain circumstances, be treated as a U.S. corporation for U.S. federal income tax purposes.

Under Section 7874 of the Code, a corporation created or organized outside the United States (i.e., a foreign corporation) will nevertheless be treated as a U.S. corporation for U.S. federal income tax purposes when (i) the foreign corporation directly or indirectly acquires substantially all of the assets held directly or indirectly by a U.S. corporation (including the indirect acquisition of assets of the U.S. corporation by acquiring the outstanding shares of the U.S. corporation), (ii) the former shareholders of the acquired U.S. corporation hold or are treated as holding, by vote or value, at least 80% (or 60% where Valens is tax resident in a jurisdiction other than Israel, which Valens believes was not applicable in respect of the Business Combination) of the shares of the foreign acquiring corporation after the acquisition by reason of holding shares in the U.S. acquired corporation (the “Section 7874 Percentage”), and (iii) the foreign corporation’s “expanded affiliated group” does not have substantial business activities in the foreign corporation’s country of tax residency relative to such expanded affiliated group’s worldwide activities (the “Substantial Business Activities Exception”). In order to satisfy the Substantial Business Activities Exception, at least 25% of the employees (by headcount and compensation), real and tangible assets and gross income of the foreign acquiring corporation’s “expanded affiliated group” must be based, located and derived, respectively, in the country in which the foreign acquiring corporation is a tax resident after the acquisition. The Treasury regulations promulgated under Section 7874 of the Code (the “Section 7874 Regulations”) provide for a number of special rules that aggregate multiple acquisitions of U.S. corporations for purposes of Section 7874 of the Code as part of a plan or conducted over a 36-month period. Moreover, certain acquisitions of U.S. corporations over a 36-month period will impact the Section 7874 Percentage, making it more likely that Section 7874 of the Code will apply to a foreign acquiring corporation.

Valens has indirectly acquired substantially all of the assets of PTK as a result of the Business Combination. As such, Section 7874 of the Code may apply to cause Valens to be treated as a U.S. corporation for U.S. federal income tax purposes following the Business Combination depending on whether the Section 7874 Percentage equals or exceeds 80% or whether the Substantial Business Activities Exception is met.



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Based upon the terms of the Business Combination, the rules for determining share ownership under Section 7874 of the Code and the Section 7874 Regulations, and certain factual assumptions, Valens believes that the Section 7874 Percentage of the PTK stockholders in Valens should have been less than 80% after the Business Combination. Accordingly, Valens is not expected to be treated as a U.S. corporation for U.S. federal income tax purposes under Section 7874 of the Code. The calculation of the Section 7874 Percentage is complex and is subject to detailed regulations (the application of which is uncertain in various respects and would be impacted by changes in such Treasury regulations with possible retroactive effect) and is subject to certain factual uncertainties. Moreover, former PTK securityholders will be deemed to own an amount of Valens ordinary shares in respect to certain redemptions by PTK of shares of common stock of PTK prior to the Business Combination for purposes of determining the Section 7874 Percentage. Accordingly, there can be no assurance that the IRS will not challenge the status of Valens as a foreign corporation under Section 7874 of the Code or that such challenge would not be sustained by a court.

If the IRS were to successfully challenge under Section 7874 of Code Valens' status as a foreign corporation for U.S. federal income tax purposes, Valens and certain Valens shareholders generally would be subject to significant adverse tax consequences, including a higher effective corporate income tax rate on Valens and potential future withholding taxes on distributions to non-U.S. Valens shareholders, depending on the application of any income tax treaty that might apply to reduce such withholding taxes.

However, even if the Section 7874 Percentage was such that Valens were still respected as a foreign corporation under Section 7874 of the Code, Valens may be limited in using its equity to engage in future acquisitions of U.S. corporations over a 36-month period following the Business Combination. If Valens were to be treated as acquiring substantially all of the assets of a U.S. corporation within a 36-month period after the Business Combination, the Section 7874 Regulations would exclude certain shares of Valens attributable to the Business Combination for purposes of determining the Section 7874 Percentage of that subsequent acquisition, making it more likely that Section 7874 of the Code would apply to such subsequent acquisition.

The remainder of this discussion assumes that Valens will not be treated as a U.S. corporation for U.S. federal income tax purposes under Section 7874 of the Code.

### ***Utilization of PTK's Tax Attributes and Certain Other Adverse Tax Consequences to Valens and Valens' Shareholders.***

Following the acquisition of a U.S. corporation by a foreign corporation, such as in the Business Combination, Section 7874 of the Code can limit the ability of the acquired U.S. corporation and its U.S. affiliates to use U.S. tax attributes (including net operating losses and certain tax credits) to offset U.S. taxable income resulting from certain transactions, as well as result in certain other adverse tax consequences, even if the acquiring foreign corporation is respected as a foreign corporation for purposes of Section 7874 of the Code. Specifically, Section 7874 of the Code can apply in this manner if (i) the foreign corporation acquires, directly or indirectly, substantially all of the properties held directly or indirectly by a U.S. corporation, (ii) after the acquisition, the former shareholders of the acquired U.S. corporation hold or are treated as holding at least 60% (by vote or value) but less than 80% (by vote and value) of the shares of the foreign acquiring corporation by reason of holding shares in the acquired U.S. corporation, and (iii) the foreign corporation's "expanded affiliated group" does not meet the Substantial Business Activities Exception.

Based upon the terms of the Business Combination, the rules for determining share ownership under Section 7874 of the Code and the Section 7874 Regulations, and certain factual assumptions, Valens currently believes that the Section 7874 Percentage should have been less than 60% after the Business Combination. Accordingly, the limitations and other rules described above and below are not expected to apply to Valens or PTK after the Business Combination.

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If the Section 7874 Percentage applicable to the Business Combination is at least 60% but less than 80%, Valens and certain of Valens' shareholders may be subject to adverse tax consequences including, but not limited to, restrictions on the use of tax attributes with respect to "inversion gain" recognized over a 10-year period following the transaction, disqualification of dividends paid from preferential "qualified dividend income" rates and the requirement that any U.S. corporation owned by Valens include as "base erosion payments" that may be subject to a minimum U.S. federal income tax any amounts treated as reductions in gross income paid to certain related foreign persons. Furthermore, certain "disqualified individuals" (including officers and directors of a U.S. corporation) may be subject to an excise tax on certain stock-based compensation held thereby at a rate of 20%. PTK did not have tax attributes to offset any inversion gain which might exist, regardless of whether PTK had any amount of inversion gain. However, as a blank check company whose assets are primarily comprised of cash and cash equivalents, Valens does not believe that PTK had a significant amount of inversion gain as a result of the Business Combination. Moreover, if it is determined that the Section 7874 Percentage is at least 60% (but less than 80%) and that Valens is tax resident in a jurisdiction other than Israel, Valens would be treated as a U.S. corporation under Section 7874 of the Code in the same manner as described above under "*—Tax Residence of Valens for U.S. Federal Income Tax Purposes.*"

The above determination, however, is subject to detailed regulations (the application of which is uncertain in various respects and would be impacted by future changes in such Treasury regulations, with possible retroactive effect) and is subject to certain uncertainties. There can be no assurance that the IRS will not challenge whether Valens is subject to the above rules or that such a challenge would not be sustained by a court. If the IRS successfully applied these rules to Valens, significant adverse tax consequences would result for Valens and for certain Valens shareholders, including a higher effective corporate tax rate on Valens.

The remainder of this discussion assumes that the limitations and other rules described above do not apply to Valens or PTK after the Business Combination.

### **U.S. Federal Income Tax Considerations of Ownership and Disposition of Valens Ordinary Shares and Valens Warrants to U.S. Holders**

#### ***Distributions on Valens Ordinary Shares***

If Valens makes distributions of cash or property on the Valens ordinary shares, such distributions will be treated for U.S. federal income tax purposes first as a dividend to the extent of Valens' current or accumulated earnings and profits (as determined for U.S. federal income tax purposes), and then as a tax-free return of capital to the extent of the U.S. Holder's tax basis, with any excess treated as capital gain from the sale or exchange of the shares. As Valens does not calculate its earnings and profits under U.S. federal income tax principles, a U.S. Holder should expect all cash distributions to be reported as dividends for U.S. federal income tax purposes. Any dividend will not be eligible for the dividends received deduction allowed to corporations in respect of dividends received from U.S. corporations.

Subject to the discussions above under "*—Utilization of PTK's Tax Attributes and Certain Other Adverse Tax Consequences to Valens and Valens' Shareholders*" and below under "*—Passive Foreign Investment Company Rules,*" dividends received by certain non-corporate U.S. Holders (including individuals) may be "qualified dividend income," which is taxed at the lower applicable capital gains rate, provided that:

- either (a) the ordinary shares are readily tradable on an established securities market in the United States (such as the NYSE, where the Valens ordinary shares are listed), or (b) Valens is eligible for the benefits of a qualifying income tax treaty with the United States that includes an exchange of information program;
- Valens is neither a PFIC (as discussed below under below under "*—Passive Foreign Investment Company Rules*") nor treated as such with respect to the U.S. Holder for Valens' taxable year in which the dividend is paid or the preceding taxable year;
- the U.S. Holder satisfies certain holding period requirements; and

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- the U.S. Holder is not under an obligation to make related payments with respect to positions in substantially similar or related property.

There can be no assurances that Valens will be eligible for benefits of an applicable comprehensive income tax treaty between the United States and Israel. Furthermore, Valens will not constitute a “qualified foreign corporation” for purposes of these rules if it is a PFIC for its taxable year in which it pays a dividend or for the preceding taxable year. See “—*Passive Foreign Investment Company Rules.*” U.S. Holders should consult their own tax advisors regarding the availability of the lower rate for dividends paid with respect to Valens ordinary shares.

The amount of any dividend distribution paid in foreign currency will be the U.S. dollar amount calculated by reference to the applicable exchange rate in effect on the date of actual or constructive receipt, regardless of whether the payment is in fact converted into U.S. dollars at that time. A U.S. Holder may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt.

Subject to certain exceptions (including the discussion in the next paragraph), dividends on Valens ordinary shares will constitute foreign source income for foreign tax credit limitation purpose. Israeli taxes withheld from dividends at a rate not exceeding any applicable rate provided by the income tax treaty between the United States and Israel (the “Treaty”) may be creditable against the U.S. Holder’s U.S. federal income tax liability. If such dividends are qualified dividend income (as discussed above), the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation will be limited to the gross amount of the dividend, multiplied by a fraction, the numerator of which is the reduced rate applicable to qualified dividend income and the denominator of which is the highest rate of tax normally applicable to dividends. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by Valens with respect to the Valens ordinary shares generally will constitute “passive category income” but could, in the case of certain U.S. Holders, constitute “general category income.”

If Valens is a “United States-owned foreign corporation,” however, subject to certain exceptions the portion of the dividends allocable to our U.S. source earnings and profits may be re-characterized as U.S. source for foreign tax credit purposes. A “United States owned foreign corporation” is any foreign corporation in which United States persons own, directly or indirectly, 50% or more of the stock (by vote or by value). The rules governing the treatment of foreign taxes and foreign tax credits are complex, and U.S. Holders should consult their own tax advisors about the impact of these rules in their particular situations.

### ***Sale, Exchange, Redemption or Other Taxable Disposition of Valens Ordinary Shares and Valens Warrants***

Subject to the discussion below under “—*Passive Foreign Investment Company Rules,*” a U.S. Holder generally will recognize gain or loss on any sale, exchange, redemption or other taxable disposition of Valens ordinary shares or Valens warrants in an amount equal to the difference between (i) the amount realized on the disposition and (ii) such U.S. Holder’s adjusted tax basis in such Valens ordinary shares and/or Valens warrants. Any gain or loss recognized by a U.S. Holder on a taxable disposition of Valens ordinary shares or Valens warrants generally will be capital gain or loss. A non-corporate U.S. Holder, including an individual, who has held the Valens ordinary shares and/or Valens warrants for more than one year generally will be eligible for reduced tax rates for such long-term capital gains. The deductibility of capital losses is subject to limitations.

Any such gain or loss recognized generally will be treated as U.S. source gain or loss for foreign tax credit purposes. Israeli taxes on capital gains will generally not be eligible for foreign tax credits to the extent that the U.S. Holder is entitled to an exemption from such taxes under Israeli domestic law or the Treaty. U.S. Holders are urged to consult their own tax advisors regarding their ability to obtain a foreign tax credit or deduction in other circumstances, as well as the application of the Treaty in their particular circumstances.

### ***Exercise or Lapse of a Valens Warrant***

Except as discussed below with respect to the cashless exercise of a Valens warrant, a U.S. Holder generally will not recognize gain or loss upon the acquisition of a Valens ordinary share on the exercise of a Valens warrant for cash. A U.S. Holder's tax basis in a Valens ordinary share received upon exercise of the Valens warrant generally should be an amount equal to the sum of the U.S. Holder's tax basis in the Valens warrant exercised and the exercise price. The U.S. Holder's holding period for a Valens ordinary share received upon exercise of the Valens warrant will generally begin on the date following the date of exercise (or possibly the date of exercise) of the Valens warrant and will not include the period during which the U.S. Holder held the Valens warrant. If a Valens warrant is allowed to lapse unexercised, a U.S. Holder that has otherwise received no proceeds with respect to such Valens warrant generally will recognize a capital loss equal to such U.S. Holder's tax basis in the Valens warrant. The tax consequences of a cashless exercise of a Valens warrant are not clear under current U.S. federal income tax law. A cashless exercise may be tax-deferred, either because the exercise is not a realization event or because the exercise is treated as a recapitalization for U.S. federal income tax purposes. In either situation, a U.S. Holder's basis in the Valens ordinary shares received would generally equal the U.S. Holder's basis in the Valens warrants exercised for such shares. If the cashless exercise is not treated as a realization event, a U.S. Holder's holding period in the Valens ordinary shares would generally be treated as commencing on the date following the date of exercise (or possibly the date of exercise) of the Valens warrants. If the cashless exercise were treated as a recapitalization, the holding period of the Valens ordinary shares would generally include the holding period of the Valens warrants exercised therefor.

It is also possible that a cashless exercise of a Valens warrant could be treated in part as a taxable exchange in which gain or loss would be recognized in the manner set forth above under "*Sale, Exchange, Redemption or Other Taxable Disposition of Valens Ordinary Shares and Valens Warrants.*" In such event, a U.S. Holder could be deemed to have surrendered warrants having an aggregate fair market value equal to the exercise price for the total number of warrants to be exercised. The U.S. Holder would recognize capital gain or loss in an amount generally equal to the difference between (i) the fair market value of the Valens warrants deemed surrendered and (ii) the U.S. Holder's tax basis in such Valens warrants deemed surrendered. In this case, a U.S. Holder's tax basis in the Valens ordinary shares received would equal the sum of (i) U.S. Holder's tax basis in the Valens warrants deemed exercised and (ii) the exercise price of such Valens warrants. A U.S. Holder's holding period for the Valens ordinary shares received in such case generally would commence on the date following the date of exercise (or possibly the date of exercise) of the Valens warrants.

Due to the absence of authority on the U.S. federal income tax treatment of a cashless exercise of warrants, there can be no assurance which, if any, of the alternative tax consequences and holding periods described above would be adopted by the IRS or a court of law. Accordingly, U.S. Holders should consult their own tax advisors regarding the tax consequences of a cashless exercise of Valens warrants.

### ***Possible Constructive Distributions***

The terms of each Valens warrant provide for an adjustment to the number of Valens ordinary shares for which the Valens warrant may be exercised or to the exercise price of the Valens warrant in certain events. An adjustment which has the effect of preventing dilution generally is not taxable. A U.S. Holder of a Valens warrant would, however, be treated as receiving a constructive distribution from Valens if, for example, the adjustment increases the holder's proportionate interest in Valens' assets or earnings and profits (for instance, through an increase in the number of Valens ordinary shares that would be obtained upon exercise of such warrant) as a result of a distribution of cash or other property such as other securities to the holders of the Valens ordinary shares which is taxable to the U.S. Holders of such shares as described under "*Distributions on Valens Ordinary Shares*" above. Such constructive distribution would be subject to tax as described under that section in the same manner as if the U.S. Holder of such Valens warrant received a cash distribution from Valens equal to the fair market value of such increased interest.

***Passive Foreign Investment Company Rules***

The treatment of U.S. Holders of the Valens ordinary shares or Valens warrants could be materially different from that described above, if Valens is treated as a PFIC for U.S. federal income tax purposes. A non-U.S. entity treated as a corporation for U.S. federal income tax purposes generally will be a PFIC for U.S. federal income tax purposes for any taxable year if either:

- at least 75% of its gross income for such year is passive income; or
- at least 50% of the value of its assets (generally based on an average of the quarterly values of the assets) during such year is attributable to assets that produce passive income or are held for the production of passive income (including cash).

For this purpose, Valens will be treated as owning its proportionate share of the assets and earning its proportionate share of the income of any other entity treated as a corporation for U.S. federal income tax purposes in which Valens owns, directly or indirectly, 25% or more (by value) of the stock. Passive income generally includes dividends, interest, rents, royalties and capital gains.

Based on the composition of the income and assets and the operations of Valens and its subsidiaries, Valens believes that it was not a PFIC for 2021. However, there can be no assurances in this regard or any assurances that Valens will not be treated as a PFIC in any future taxable year. Moreover, the application of the PFIC rules is subject to uncertainty in several respects, and Valens cannot assure you that the IRS will not take a contrary position or that a court will not sustain such a challenge by the IRS.

Whether Valens or any of its subsidiaries is treated as a PFIC is determined on an annual basis. The determination of whether Valens or any of its subsidiaries is a PFIC is a factual determination that depends on, among other things, the composition of Valens' income and assets, and the value of its and its subsidiaries' shares and assets. Changes in the composition of the income or assets of Valens and its subsidiaries may cause Valens to be or become a PFIC for the current or subsequent taxable years. Under the PFIC rules, if Valens were considered a PFIC at any time that a U.S. Holder owns Valens ordinary shares or Valens warrants, Valens would continue to be treated as a PFIC with respect to such investment unless (i) it ceased to be a PFIC and (ii) the U.S. Holder made a "deemed sale" election under the PFIC rules. If such election is made, a U.S. Holder will be deemed to have sold its Valens ordinary shares and/or Valens warrants at their fair market value on the last day of the last taxable year in which Valens is classified as a PFIC, and any gain from such deemed sale would be subject to the consequences described below, but any loss would not be recognized. After the deemed sale election, the Valens ordinary shares or Valens warrants with respect to which the deemed sale election was made will not be treated as shares in a PFIC unless Valens subsequently becomes a PFIC.

For each taxable year that Valens is treated as a PFIC with respect to a U.S. Holder's Valens ordinary shares or Valens warrants, the U.S. Holder will be subject to special tax rules with respect to any "excess distribution" (as defined below) received and any gain realized from a sale or disposition (including a pledge) of its Valens ordinary shares (collectively the "Excess Distribution Rules"), unless the U.S. Holder makes a valid QEF election or mark-to-market election as discussed below. Distributions received by a U.S. Holder in a taxable year that are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or the U.S. Holder's holding period for the Valens ordinary shares will be treated as excess distributions. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over the U.S. Holder's holding period for the Valens ordinary shares;
- the amount allocated to the current taxable year, and any taxable years in the U.S. Holder's holding period prior to the first taxable year in which Valens is a PFIC, will be treated as ordinary income; and
- the amount allocated to each other taxable year will be subject to the highest tax rate in effect for individuals or corporations, as applicable, for each such year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

Under the Excess Distribution Rules, the tax liability for amounts allocated to taxable years prior to the year of disposition or excess distribution cannot be offset by any net operating losses, and gains (but not losses) realized on the sale of the Valens ordinary shares or Valens warrants cannot be treated as capital gains, even though the U.S. Holder holds the Valens ordinary shares or Valens warrants as capital assets.

Certain of the PFIC rules may impact U.S. Holders with respect to equity interests in subsidiaries and other entities which Valens may hold, directly or indirectly, that are PFICs (collectively, “Lower-Tier PFICs”) if Valens is treated as a PFIC. There can be no assurance, however, that Valens does not own, or will not in the future acquire, an interest in a subsidiary or other entity that is or would be treated as a Lower-Tier PFIC. U.S. Holders should consult their own tax advisors regarding the application of the PFIC rules to any of Valens’ subsidiaries. If Valens is a PFIC, a U.S. Holder of Valens ordinary shares (but not Valens warrants) may avoid taxation under the Excess Distribution Rules described above by making a “qualified electing fund” (“QEF”) election. However, a U.S. Holder may make a QEF election with respect to its Valens ordinary shares only if Valens provides U.S. Holders on an annual basis with certain financial information specified under applicable U.S. Treasury regulations. Upon written request, Valens will endeavor to provide U.S. Holders with the required information on an annual basis to allow U.S. Holders to make a QEF election with respect to the Valens ordinary shares in the event Valens is treated as a PFIC for any taxable year. There can be no assurance, however, that Valens will timely provide such information for the current year or subsequent years. The failure to provide such information on an annual basis could prevent a U.S. Holder from making a QEF election or result in the invalidation or termination of a U.S. Holder’s prior QEF election. In addition, U.S. Holders of Valens warrants will not be able to make a QEF election with respect to their warrants.

In the event Valens is a PFIC, a U.S. Holder that makes a QEF election with respect to its Valens ordinary shares would generally be required to include in income for each year that Valens is treated as a PFIC the U.S. Holder’s pro rata share of Valens’ ordinary earnings for the year (which would be subject to tax as ordinary income) and net capital gains for the year (which would be subject to tax at the rates applicable to long-term capital gains), without regard to the amount of any distributions made in respect of the Valens ordinary shares. Any net deficits or net capital losses of Valens for a taxable year would not be passed through and included on the tax return of the U.S. Holder, however. A U.S. Holder’s basis in the Valens ordinary shares would be increased by the amount of income inclusions under the qualified electing fund rules. Dividends actually paid on the Valens ordinary shares generally would not be subject to U.S. federal income tax to the extent of prior income inclusions and would reduce the U.S. Holder’s basis in the Valens ordinary shares by a corresponding amount.

If Valens owns any interests in a Lower-Tier PFIC, a U.S. Holder generally must make a separate QEF election for each Lower-Tier PFIC, subject to Valens’ providing the relevant tax information for each Lower-Tier PFIC on an annual basis.

If a U.S. Holder does not make a QEF election (or a mark-to-market election, as discussed below) effective from the first taxable year of a U.S. Holder’s holding period for the Valens ordinary shares in which Valens is a PFIC, then the Valens ordinary shares will generally continue to be treated as an interest in a PFIC, and the U.S. Holder generally will remain subject to the Excess Distribution Rules. A U.S. Holder that first makes a QEF election in a later year may avoid the continued application of the Excess Distribution Rules to its Valens ordinary shares by making a “deemed sale” election. In that case, the U.S. Holder will be deemed to have sold the Valens ordinary shares at their fair market value on the first day of the taxable year in which the QEF election becomes effective, and any gain from such deemed sale would be subject to the Excess Distribution Rules described above. A U.S. Holder that is eligible to make a QEF election with respect to its Valens ordinary shares generally may do so by providing the appropriate information to the IRS in the U.S. Holder’s timely filed tax return for the year in which the election becomes effective.

U.S. Holders should consult their own tax advisors as to the availability and desirability of a QEF election in case Valens is a PFIC for any taxable year.

Alternatively, a U.S. Holder of “marketable stock” (as defined below) may make a mark-to-market election for its Valens ordinary shares to elect out of the Excess Distribution Rules discussed above if Valens is treated as a PFIC. If a U.S. Holder makes a mark-to-market election with respect to its Valens ordinary shares, such U.S. Holder will include in income for each year that Valens is treated as a PFIC with respect to such Valens ordinary shares an amount equal to the excess, if any, of the fair market value of the Valens ordinary shares as of the close of the U.S. Holder’s taxable year over the adjusted basis in the Valens ordinary shares. A U.S. Holder will be allowed a deduction for the excess, if any, of the adjusted basis of the Valens ordinary shares over their

fair market value as of the close of the taxable year. However, deductions will be allowed only to the extent of any net mark-to-market gains on the Valens ordinary shares included in the U.S. Holder's income for prior taxable years. Amounts included in income under a mark-to-market election, as well as gain on the actual sale or other disposition of the Valens ordinary shares, will be treated as ordinary income. Ordinary loss treatment will also apply to the deductible portion of any mark-to-market loss on the Valens ordinary shares, as well as to any loss realized on the actual sale or disposition of the Valens ordinary shares, to the extent the amount of such loss does not exceed the net mark-to-market gains for such Valens ordinary shares previously included in income. A U.S. Holder's basis in the Valens ordinary shares will be adjusted to reflect any mark-to-market income or loss. If a U.S. Holder makes a mark-to-market election, any distributions Valens makes would generally be subject to the rules discussed above under "*Distributions on Valens ordinary shares*," except the lower rates applicable to qualified dividend income would not apply. U.S. Holders of Valens warrants will not be able to make a mark-to-market election with respect to their Valens warrants.

The mark-to-market election is available only for "marketable stock," which is stock that is regularly traded on a qualified exchange or other market, as defined in applicable U.S. Treasury regulations. The Valens ordinary shares, which are listed on the NYSE, are expected to qualify as marketable stock for purposes of the PFIC rules, but there can be no assurance that Valens ordinary shares will be "regularly traded" for purposes of these rules. Because a mark-to-market election cannot be made for equity interests in any Lower-Tier PFICs the shares of which are not "marketable stock", a U.S. Holder that does not make the applicable QEF elections generally will continue to be subject to the Excess Distribution Rules with respect to its indirect interest in any Lower-Tier PFICs as described above, even if a mark-to-market election is made for Valens.

If a U.S. Holder does not make a mark-to-market election (or a QEF election, as discussed above) effective from the first taxable year of a U.S. Holder's holding period for the Valens ordinary shares in which Valens is a PFIC, then the U.S. Holder generally will remain subject to the Excess Distribution Rules. A U.S. Holder that first makes a mark-to-market election with respect to the Valens ordinary shares in a later year will continue to be subject to the Excess Distribution Rules during the taxable year for which the mark-to-market election becomes effective, including with respect to any mark-to-market gain recognized at the end of that year. In subsequent years for which a valid mark-to-market election remains in effect, the Excess Distribution Rules generally will not apply. A U.S. Holder that is eligible to make a mark-to-market with respect to its Valens ordinary shares may do so by providing the appropriate information on IRS Form 8621 and timely filing that form with the U.S. Holder's tax return for the year in which the election becomes effective. U.S. Holders should consult their own tax advisors as to the availability and desirability of a mark-to-market election, as well as the impact of such election on interests in any Lower-Tier PFICs.

A U.S. Holder of a PFIC may be required to file an IRS Form 8621 on an annual basis. U.S. Holders should consult their own tax advisors regarding any reporting requirements that may apply to them if Valens is a PFIC.

U.S. Holders are strongly encouraged to consult their tax advisors regarding the application of the PFIC rules to their particular circumstances.

#### *Foreign Account Tax Compliance Act*

The United States Foreign Account Tax Compliance Act, or FATCA, imposes a reporting regime and, potentially, a 30% withholding tax on certain payments made to certain non-U.S. financial institutions that fail to comply with certain information reporting, account identification, withholding, certification and other FATCA related requirements in respect of their direct and indirect United States shareholders and/or United States accountholders. To avoid becoming subject to FATCA withholding, we may be required to report information to the IRS regarding the holders of Valens ordinary shares and to withhold on a portion of payments with respect to our ordinary shares to certain holders that fail to comply with the relevant information reporting requirements (or that hold our ordinary shares directly or indirectly through certain non-compliant intermediaries). This withholding tax made with respect to Valens ordinary shares will not apply to payments made before the date that is two years after the date of publication of final regulations defining the term "foreign passthru payment". An



intergovernmental agreement between the United States and another country may also modify these requirements. FATCA is particularly complex and its application is uncertain at this time. Holders of our ordinary shares should consult their tax advisors to obtain a more detailed explanation of FATCA and to learn how FATCA might affect each holder in its particular circumstances.

*Information Reporting and Backup Withholding*

Information reporting requirements may apply to dividends received by U.S. Holders of Valens ordinary shares and the proceeds received on sale or other taxable disposition of Valens ordinary shares or Valens warrants effected within the United States (and, in certain cases, outside the United States), in each case other than U.S. Holders that are exempt recipients (such as corporations). Backup withholding (currently at a rate of 24%) may apply to such amounts if the U.S. Holder fails to provide an accurate taxpayer identification number (generally on an IRS Form W-9 provided to the paying agent of the U.S. Holder's broker) or is otherwise subject to backup withholding. Any redemptions treated as dividend payments with respect to Valens ordinary shares and proceeds from the sale, exchange, redemption or other disposition of Valens ordinary shares or Valens warrants may be subject to information reporting to the IRS and possible U.S. backup withholding. U.S. Holders should consult their own tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding generally may be credited against the taxpayer's U.S. federal income tax liability, and a taxpayer may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for a refund with the IRS and furnishing any required information.



## **Material Israeli Tax Considerations**

### **Israeli tax considerations**

The following is a brief summary of the material Israeli tax laws applicable to Valens, and certain Israeli Government programs that benefit Valens. This section also contains a discussion of material Israeli tax consequences concerning the ownership and disposition of Valens ordinary shares or warrants purchased by investors. This summary does not discuss all the aspects of Israeli tax law that may be relevant to a particular investor in light of his or her personal investment circumstances or to some types of investors subject to special treatment under Israeli law. Examples of such investors include residents of Israel or traders in securities, trusts or foundations, partnerships, controlled foreign corporations and any other type of taxpayer that are subject to special tax regimes not covered in this discussion. To the extent that the discussion is based on new tax legislation that has not yet been subject to judicial or administrative interpretation, Valens cannot assure you that the appropriate tax authorities or the courts will accept the views expressed in this discussion. The discussion below is subject to change, including due to amendments under Israeli law or changes to the applicable judicial or administrative interpretations of Israeli law, which change could affect the tax consequences described below.

### **General corporate tax structure in Israel**

Israeli companies are generally subject to corporate tax. In December 2016, the Israeli Parliament approved the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years) which reduces the corporate income tax rate from 25% to 24% effective from January 1, 2017, and to 23% effective from January 1, 2018. However, the effective tax rate payable by a company that derives income from an Approved Enterprise, a Preferred Enterprise, a Beneficiary Enterprise or a Technological Enterprise (as discussed below) may be considerably less. Capital gains derived by an Israeli company are generally subject to the corporate tax rate.

### **Law for the Encouragement of Industry (Taxes), 5729-1969**

The Law for the Encouragement of Industry (Taxes), 5729-1969, generally referred to as the Industry Encouragement Law, provides several tax benefits for “Industrial Companies”.

The Industry Encouragement Law defines an “Industrial Company” as an Israeli resident-company, of which 90% or more of its income in any tax year, other than income from certain defense loans, is derived from an “Industrial Enterprise” owned by it and located in Israel or in the “Area”, in accordance with the definition under section 3A of the Israeli Income Tax Ordinance (New Version) 1961, or the Ordinance. An “Industrial Enterprise” is defined as an enterprise whose principal activity in a given tax year is industrial production.

Following are the main tax benefits available to Industrial Companies:

- Amortization of the cost of purchased patent, rights to use a patent, and know-how, which are used for the development or advancement of the Industrial Enterprise, over an eight-year period, commencing on the year in which such rights were first exercised;
- Under limited conditions, an election to file consolidated tax returns with controlled Israeli Industrial Companies;
- Expenses related to a public offering are deductible in equal amounts over three years commencing on the year of the offering.

Eligibility for benefits under the Industry Encouragement Law is not contingent upon approval of any governmental authority.

### **Tax benefits and grants for research and development**

Israeli tax law allows, under certain conditions, a tax deduction for expenditures, including capital expenditures, related to scientific research and development for the year in which they are incurred. Expenditures are deemed related to scientific research and development projects, if:

- The expenditures are approved by the relevant Israeli government ministry, determined by the field of research;
- The research and development must be for the promotion of the company; and
- The research and development is carried out by or on behalf of the company seeking such tax deduction.

The amount of such deductible expenses is reduced by the sum of any funds received through government grants for the finance of such scientific research and development projects. No deduction under these research and development deduction rules is allowed if such deduction is related to an expense invested in an asset depreciable under the general depreciation rules of the Ordinance. Expenditures that are unqualified under the conditions above are deductible in equal amounts over three years.

Every year, we can apply to the Israel Innovation Authority of the Israeli Ministry of Economy and Industry (formerly known as Office of Chief Scientist) (“[IIA](#)”) for approval to allow a tax deduction for all or most of research and development expenses during the year incurred. There can be no assurance that such application, if made, will be accepted. If we are not be able to deduct research and development expenses during the year they were incurred, we will be able to deduct research and development expenses during a period of three years commencing in the year of the payment of such expenses.

### **Law for the Encouragement of Capital Investments, 5719-1959**

The Law for the Encouragement of Capital Investments, 5719-1959, generally referred to as the Investment Law, provides certain eligible companies with incentives for capital investments in production facilities (or other eligible assets) and certain tax benefits with respect to certain eligible income.

The Investment Law was significantly amended effective as of April 1, 2005 (the “[2005 Amendment](#)”), as of January 1, 2011 (the “[2011 Amendment](#)”) and as of January 1, 2017 (the “[2017 Amendment](#)”). Pursuant to the 2005 Amendment, tax benefits granted in accordance with the provisions of the Investment Law prior to its revision by the 2005 Amendment remain in force but any benefits granted subsequently are subject to the provisions of the amended Investment Law. Similarly, the 2011 Amendment introduced new benefits to replace those granted in accordance with the provisions of the Investment Law in effect prior to the 2011 Amendment. However, companies entitled to benefits under the Investment Law as in effect prior to January 1, 2011 were entitled to choose to continue to enjoy such benefits, provided that certain conditions are met, or instead irrevocably, elect to forego such benefits and apply the benefits of the 2011 Amendment apply. The 2017 Amendment introduces new benefits for Preferred or Special Preferred Technological Enterprises, alongside the existing tax benefits.

The following discussion is a summary of the Investment Law following its most recent and amendments:

### **Tax benefits under the 2011 amendment**

The 2011 Amendment canceled the availability of the benefits granted to Industrial Companies under the Investment Law prior to 2011 and, instead, introduced new benefits for income generated by a “Preferred Company” through its “Preferred Enterprise” (as such terms are defined in the Investment Law) as of January 1, 2011. The definition of a Preferred Company includes a company incorporated in Israel that is not fully owned by a governmental entity, and that has, among other things, Preferred Enterprise status and is controlled and managed from Israel. Pursuant to the 2011 Amendment, a Preferred Company is entitled to a reduced corporate tax rate of 15% with respect to its income derived by its Preferred Enterprise in 2011 and 2012, unless the Preferred Enterprise is located in a specified development zone, in which case the rate will be 10%. Under the 2011 Amendment, such corporate tax rate was reduced from 15% and 10%, respectively, to 12.5% and 7%, respectively, in 2013, 16% and 9% respectively, in 2014, 2015 and 2016, and 16% and 7.5%, respectively, in 2017 and thereafter. Income derived by a Preferred Company from a “Special Preferred Enterprise” (as such term is defined in the Investment Law) would be entitled, during a benefits period of 10 years, to further reduced tax rates of 8%, or 5% if the Special Preferred Enterprise is located in a certain development zone.

Dividends distributed from income which is attributed to a “Preferred Enterprise” will be subject to withholding tax at source at the following rates: (i) Israeli resident corporations—0%, (although, if such dividends are subsequently distributed to individuals or a non-Israeli company the below rates detailed in sub sections (ii) and (iii) shall apply) (ii) Israeli resident individuals—20% (iii) non-Israeli residents (individuals and corporations)—20%, (subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate of 20%, or such lower tax rate under the provisions of any applicable double tax treaty)

The 2011 Amendment also provided transitional provisions to address companies already enjoying existing tax benefits under the Investment Law. These transitional provisions provide, among other things, that unless an irrevocable request is made to apply the provisions of the Investment Law as amended in 2011 with respect to income to be derived as of January 1, 2011, a Beneficiary Enterprise can elect to continue to benefit from the benefits provided to it before the 2011 Amendment came into effect, provided that certain conditions are met.

As of December 31, 2021 Valens did not apply the new benefits under the Preferred Enterprise regime.

### **New tax benefits under the 2017 amendment that became effective on January 1, 2017**

The 2017 Amendment was enacted as part of the Economic Efficiency Law that was published on December 29, 2016, and is effective as of January 1, 2017. The 2017 Amendment provides new tax benefits for two types of “Technological Enterprises”, as described below, and is in addition to the other existing tax beneficial programs under the Investment Law. The 2017 Amendment will apply to a Preferred Company which meets the “Preferred Enterprise” condition and certain additional conditions, including, all the following:

- the company’s average R&D expenses in the three years prior to the current tax year must be greater than or equal to the average of 7% of its total revenue or exceed NIS 75 million per year; and
- the company must also satisfy one of the following conditions: (1) the full salary of the lowest between at least 20% of the company’s overall workforce, or at least 200 employees, was recorded and paid as R&D expenses in the company’s financial statements; (2) a venture capital investment of an amount of at least NIS 8 million was previously made in the company; or (3) a growth in sales by an average of 25% over the three years preceding the tax year (provided transactions revenue of over NIS 10 million for the said years); (4) a growth in workforce by an average of 25% over the three years preceding the tax year (provided that the company employed at least 50 employees in the said years)

A Preferred Company satisfying certain conditions (including the conditions as stated above) will qualify as a “Preferred Technological Enterprise” and will thereby enjoy a reduced corporate tax rate of 12% on income that qualifies as “Preferred Technology Income”, as defined in the Investment Law. The tax rate is further reduced to 7.5% for a Preferred Technological Enterprise located in development zone “A”. In addition, a Preferred Technological Enterprise will enjoy a reduced corporate tax rate of 12% on capital gain derived from the sale of certain “Benefitted Intangible Assets” (as defined in the Investment Law) to a related foreign company if the Benefitted Intangible Assets were acquired from a foreign company on or after January 1, 2017 for at least NIS 200 million, and the sale receives prior approval from the IIA.

The 2017 Amendment further provides that a Preferred Company satisfying certain conditions (group-consolidated revenues of at least NIS 10 billion) will qualify as a “Special Preferred Technological Enterprise” and will thereby enjoy a reduced corporate tax rate of 6% on “Preferred Technological Income” regardless of the company’s geographic location within Israel. In addition, a Special Preferred Technological Enterprise will enjoy a reduced corporate tax rate of 6% on capital gain derived from the sale of certain “Benefitted Intangible Assets” to a related foreign company if the Benefitted Intangible Assets were either developed by the Special Preferred Enterprise or acquired from a foreign company on or after January 1, 2017, and the sale received prior approval from the IIA. A Special Preferred Technological Enterprise that acquires Benefitted Intangible Assets from a foreign company for more than NIS 500 million will be eligible for these benefits for at least ten years, subject to certain approvals as specified in the Investment Law.

Dividends distributed by a Preferred Technological Enterprise or a Special Preferred Technological Enterprise to Israeli shareholders, paid out of Preferred Technological Income, are generally subject to withholding tax at source at the rate of 20% (in case of non-Israeli shareholders—subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate, 20%, or such lower rate as may be provided in an applicable tax treaty). However, if such dividends are paid to an Israeli company, no tax is required to be withheld. If such dividends are distributed to a foreign company that holds solely or together with other foreign companies 90% or more in the Israeli company and other conditions are met, the withholding tax rate will be 4%. Please note that the reduced withholding tax rate of 4% will apply only on profits generated after the Preferred Technological Enterprise was acquired by a foreign company.

As of December 31, 2021 Valens did not apply for a tax ruling from the Israeli Tax Authority or implemented benefits under The Preferred Technological Enterprise regime.

From time to time, the Israeli Government has discussed reducing the benefits available to companies under the Investment Law. The termination or substantial reduction of any of the benefits available under the Investment Law could materially increase our tax liabilities.

### **Taxation of our shareholders and warrant holders**

#### ***Capital gains taxes applicable to non-Israeli resident shareholders and warrant holders.***

Israeli capital gains tax is imposed on the disposition of capital assets by a non-Israeli resident if those assets (i) are located in Israel, (ii) are shares or a right to shares (e.g. Valens warrants) in an Israeli resident corporation or (iii) represent, directly or indirectly, rights to assets located in Israel, unless a tax treaty between Israel and the seller’s country of residence provides otherwise. The Israeli tax law distinguishes between “Real Capital Gain” and “Inflationary Surplus.” Inflationary Surplus is a portion of the total capital gain which is equivalent to the increase in the relevant asset’s price that is attributable to the increase in the Israeli Consumer Price Index or, in certain circumstances, a foreign currency exchange rate, between the date of purchase and the date of disposition. Inflationary Surplus is currently not subject to tax in Israel. Real Capital Gain is the excess of the total capital gain over the Inflationary Surplus. Generally, Real Capital Gain accrued by individuals on the sale of Valens ordinary shares or warrants will be taxed at the rate of 25%. However, if the shareholder is a “substantial shareholder” at the time of sale or at any time during the preceding 12- month period (or claims a deduction for interest and linkage differences expenses in connection with the purchase and holding of such shares), such gain will be taxed at the rate of 30%. A “substantial shareholder” is generally a person who alone or together with such person’s relative or another person who collaborates with such person with respect to the material matters of the corporation on a permanent basis pursuant to an agreement, holds, directly or indirectly, at least 10% of any of the “means of control” of the corporation. “Means of control” generally include the right to vote, receive profits, nominate a director or an executive officer, receive assets upon liquidation, or order someone who holds any of the aforesaid rights how to act, regardless of the source of such right. Real Capital Gain derived by corporations will be generally subject to a corporate tax rate of 23% (in 2022).

A non-Israeli resident that derives capital gains from the sale of shares or a right to shares of an Israeli resident company that were purchased after the company was listed for trading on a stock exchange outside of Israel, will be exempt from Israeli tax if the capital gains derived from the sale of the shares or right to shares were not attributed to a fixed enterprise that the non-resident maintains in Israel. However, non-Israeli corporations will not be entitled to the foregoing exemption if Israeli residents: (i) hold, whether directly or indirectly, more than 25% of the means of control, as such term is defined above, in such non-Israeli corporation or (ii) are the beneficiaries of, or are entitled to, 25% or more of the revenues or profits of such non-Israeli corporation, whether directly or indirectly. In addition, such exemption is not applicable to a person whose gains from selling or otherwise disposing of the shares or right to shares are deemed to be business income.

Additionally, a sale of securities by a non-Israeli resident may be exempt from Israeli capital gains tax under the provisions of an applicable tax treaty (subject to the receipt in advance of a valid certificate from the ITA). For example, under Convention Between the Government of the United States of America and the Government of the State of Israel with respect to Taxes on Income, as amended (the "United States Israel Tax Treaty"), the sale, exchange or other disposition of shares or a right to shares by a shareholder who is a United States resident (for purposes of the treaty) holding the shares as a capital asset and is entitled to claim the benefits afforded to such a resident by the U.S. Israel Tax Treaty (a "U.S. Resident") is generally exempt from Israeli capital gains tax unless either: (i) the capital gain arising from such sale, exchange or disposition is attributed to real estate located in Israel; (ii) the capital gain arising from such sale, exchange or disposition is attributed to royalties; (iii) the capital gain arising from the such sale, exchange or disposition is attributed to a permanent establishment in Israel, under certain terms; (iv) such U.S. Resident holds, directly or indirectly, shares representing 10% or more of the voting capital during any part of the 12 month period preceding the disposition, subject to certain conditions; or (v) such U.S. Resident is an individual and was present in Israel for 183 days or more during the relevant taxable year. In any such case, the sale, exchange or disposition of such shares or a right to shares would be subject to Israeli tax, to the extent applicable.

In some instances where our shareholders may be liable for Israeli tax on the sale of their ordinary shares or warrants, the payment of the consideration may be subject to the withholding of Israeli tax at source. Shareholders may be required to demonstrate that they are exempt from tax on their capital gains in order to avoid withholding at source at the time of sale (i.e., resident certificate or other documentation).

***Capital gains taxes applicable to Israeli resident shareholders and warrant holders.***

An Israeli resident corporation that derives capital gains from the sale of shares or a right to shares in an Israeli resident company that were purchased after the company was listed for trading on a stock exchange outside of Israel will generally be subject to tax on the real capital gains generated on such sale at the corporate tax rate of 23%. An Israeli resident individual will generally be subject to capital gain tax at the rate of 25%. However, if the individual shareholder claims deduction of interest expenditures or is a "substantial shareholder" at the time of the sale or at any time during the preceding twelve months period, such gain will be taxed at the rate of 30%. Individual holders dealing in securities in Israel for whom the income from the sale of securities is considered "business income" as defined in section 2(1) of the Ordinance are taxed at the marginal tax rates applicable to business income (up to 47% in 2022, not including Excess Tax). Certain Israeli institutions who are exempt from tax under section 9(2) or section 129(C)(a)(1) of the Ordinance (such as exempt trust fund, pension fund) may be exempt from capital gains tax from the sale of the shares or a right to shares. With respect to corporate investors, capital gain tax equal to the corporate tax rate (23% starting in 2018) will be imposed on the sale of our traded shares or warrants, unless contrary provisions in a relevant tax treaty applies.

A Company Warrant generally should not recognize gain or loss upon the exercise of such warrant, if the warrant was purchased or received in return for an investment. An ordinary share acquired pursuant to the exercise of such warrant for cash generally will have a tax basis equal to the holder's tax basis in the Company Warrant, if any, increased by the amount paid to exercise the Company Warrant. The holding period of such ordinary share generally would begin on the day after the date of exercise of the warrant. If a Company Warrant is allowed to lapse unexercised, the holder generally will recognize a capital loss equal to such holder's tax basis in the such warrant.

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It is possible that a cashless exercise would be treated as a taxable exchange in which gain or loss is recognized. In such event, a holder could be deemed to have surrendered a number of warrants with a fair market value equal to the exercise price for the number of warrants deemed exercised. For this purpose, the number of warrants deemed exercised would be equal to the number of warrants that would entitle the holder to receive upon exercise the number of ordinary shares issued pursuant to the cashless exercise of the warrants. In this situation, the holder would recognize capital gain or loss in an amount equal to the difference between the fair market value of the warrants deemed surrendered to pay the exercise price and the holder's tax basis in the warrants deemed surrendered which will be taxable to the holders of such ordinary shares as described under "*Taxation of our shareholders.*"

### ***Taxation of Israeli shareholders on receipt of dividends.***

An Israeli resident individual is generally subject to Israeli income tax on the receipt of dividends at the rate of 25%. With respect to a person who is a "substantial shareholder" at the time of receiving the dividend or on any time during the preceding twelve months, the applicable tax rate is 30%. Such dividends are generally subject to Israeli withholding tax at a rate of 25% if the shares are registered with a nominee company (whether the recipient is a substantial shareholder or not), and 20% if the dividend is distributed from income attributed to a Preferred Enterprise or a Preferred Technological Enterprise. If the recipient of the dividend is an Israeli resident corporation such dividend income will be exempt from tax provided the income from which such dividend is distributed was derived or accrued within Israel and was received directly or indirectly from another corporation that is liable to Israeli corporate tax. An exempt trust fund, pension fund or other entity that is exempt from tax under section 9(2) or section 129(C)(a)(1) of the Israeli Tax Ordinance is exempt from tax on dividend.

### ***Taxation of non-Israeli shareholders on receipt of dividends.***

Non-Israeli residents (either individuals or corporations) are generally subject to Israeli income tax on the receipt of dividends at the rate of 25%, which tax will be withheld at source, unless relief is provided in a treaty between Israel and the shareholder's country of residence. With respect to a person who is a "substantial shareholder" at the time of receiving the dividend or on any time during the preceding twelve months, the applicable tax rate is 30%. Such dividends are generally subject to Israeli withholding tax at a rate of 25% if the shares are registered with a nominee company (whether the recipient is a substantial shareholder or not), and 20% if the dividend is distributed from income attributed to a Preferred Enterprise or a Technological Enterprise, and 4% if the dividend is distributed from income attributed to a Technological Enterprise to a foreign company that holds solely or together with other foreign companies 90% or more in the Israeli company and other conditions are met, (please note that the reduced withholding tax rate of 4% will apply only on profits generated after the Preferred Technological Enterprise was acquired by a foreign company), unless a reduced rate is provided under an applicable tax treaty (the reduced rates stated in this paragraph are subject to the receipt in advance of a valid certificate from the Israel Tax Authority allowing for such reduced tax rates). For example, under the United States-Israel Tax Treaty, the maximum rate of tax withheld at source in Israel on dividends paid to a holder of our ordinary shares who is a U.S. Resident is 25%. However, generally, the maximum rate of withholding tax on dividends, not generated by a Preferred Enterprise, Beneficiary Enterprise, a Preferred Enterprise or a Technological Enterprise, that are paid to a United States corporation holding 10% or more of the outstanding voting capital throughout the tax year in which the dividend is distributed as well as during the previous tax year, is 12.5%, provided that not more than 25% of the gross income for such preceding year consists of certain types of dividends and interest. Notwithstanding the foregoing, dividends distributed from income attributed to an Approved Enterprise, Beneficiary Enterprise, Preferred Enterprise or a Preferred Technological Enterprise are not entitled to such reduced rate under the tax treaty but are subject to a withholding tax rate of 15% for a shareholder that is a U.S. corporation, provided that the condition related to our gross income for the previous year (as set forth in the previous sentence) is met. If the dividend is attributable partly to income derived from an Approved Enterprise, Benefited Enterprise, Preferred Enterprise or a Preferred Technological Enterprise, and partly to other sources of income, the withholding rate will be a blended rate reflecting the relative portions of the two types of income. We cannot assure you that we will designate the profits that we may distribute in a way that will reduce shareholders' tax liability. Application for the reduced tax rate requires appropriate documentation presented and specific instruction received from the Israeli Tax Authorities to the extent tax is withheld at source at the maximum rates (see above), a qualified tax treaty recipient will be required to comply with certain administrative procedures with the Israeli Tax Authorities in order to receive a refund of the excess tax withheld.

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A foreign resident receiving dividend income from an Israeli company, from which the full tax was deducted, will generally be exempt from filing a tax return in Israel with respect to such income, provided that (i) such income was not generated from business conducted in Israel by the taxpayer, (ii) the taxpayer has no other taxable sources of income in Israel with respect to which a tax return is required to be filed, and (iii) the taxpayer is not obligated to pay Surtax (see below) in accordance with section 121B of the Ordinance.

### ***Israeli Tax Withholding.***

In addition to all of the above, any payment made by an Israeli resident company may be subject to Israeli withholding tax, regardless of whether the recipient should be subject to Israeli tax with respect to the receipt of such payment, unless the recipient provides the company with a valid certificate issued by the Israel Tax Authority to exempt the recipient from such withholding tax liability.

### ***Surtax***

Subject to the provisions of an applicable tax treaty, individuals who are subject to tax in Israel (whether any such individual is an Israeli resident or non-Israeli resident) are also subject to an additional tax at a rate of 3% on annual income (including, but not limited to, dividends, interest and capital gain) exceeding NIS 663,240 for 2022, which amount is linked to the annual change in the Israeli consumer price index.

### ***Estate and Gift Tax***

Israeli law presently does not impose estate or gift taxes.

### ***Israeli Transfer Pricing Regulations***

On November 29, 2006, Income Tax Regulations (Determination of Market Terms) promulgated under Section 85A of the Tax Ordinance, came into effect (“TP Regulations”). Section 85A of the Tax Ordinance and the TP Regulations generally require that all cross-border transactions carried out between related parties be conducted on an arm’s length principle basis and will be taxed accordingly.

## **F. DIVIDENDS AND PAYING AGENTS**

Not applicable.

## **G. STATEMENT BY EXPERTS**

Not applicable.

## **H. DOCUMENTS ON DISPLAY**

We are subject to the informational requirements of the Exchange Act. Accordingly, we are required to file reports and other information with the SEC, including annual reports on Form 20-F and reports on Form 6-K. The SEC maintains an internet website that contains reports and other information about issuers, like us, that file electronically with the SEC. The address of that website is [www.sec.gov](http://www.sec.gov).

As a foreign private issuer, we are exempt under the Exchange Act from, among other things, the rules prescribing the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we will not be required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

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We will send our transfer agent a copy of all notices of shareholders' meetings and other reports, communications and information that are made generally available to shareholders. The transfer agent has agreed to mail to all shareholders a notice containing the information (or a summary of the information) contained in any notice of a meeting of our shareholders received by the transfer agent and will make available to all shareholders such notices and all such other reports and communications received by the transfer agent.

**I. SUBSIDIARY INFORMATION**

Not applicable

**ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS**

We are exposed to market risk in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in foreign currency exchange rates and interest rates and inflation. We do not hold or issue financial instruments for trading purposes. For information about the effects of currency and interest rate fluctuations and how we manage currency and interest risk, see "Part I, Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources."

**ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

**12.A. DEBT SECURITIES**

Not applicable.

**12.B. WARRANTS AND RIGHTS**

Not applicable.

**12.C. OTHER SECURITIES**

Not applicable.

**12.D. AMERICAN DEPOSITARY SHARES**

Not applicable.

**PART II**

**ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

Not applicable.

**ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

**Material Modifications to the Rights of Security Holders**

Our Amended Articles took effect on September 29, 2021 in connection with the Business Combination. A copy of our Amended Articles is filed as Exhibit 1.1 to this Annual Report. See Item "Part I, Item 10. Additional Information—Memorandum and Articles of Association."

**Use of Proceeds**

Not applicable.



**ITEM 15. CONTROLS AND PROCEDURES**

***Evaluation of Disclosure Controls and Procedures***

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (“Exchange Act”)) that are designed to ensure that information required to be disclosed in the Company’s reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. Any controls and procedures, can provide only reasonable assurance of achieving the desired objectives of the disclosure controls and procedures. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2021. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2021, our disclosure controls and procedures were effective.

***Management’s Annual Report on Internal Control over Financial Reporting***

This Annual Report does not include a report of management’s assessment regarding internal control over financial reporting due to a transition period established by rules of the SEC for newly public companies. This Annual Report also does not include an attestation report of our independent registered public accounting firm due to a transition period established by rules of the SEC for newly public companies. Additionally, our independent registered public accounting firm will not be required to opine on the effectiveness of our internal control over financial reporting until we are no longer an emerging growth company.

***Changes in Internal Control over Financial Reporting***

This Annual Report does not include disclosure of changes in internal control over financial reporting due to a transition period established by rules of the SEC for newly public companies.

**ITEM 16.**

**A. AUDIT COMMITTEE AND FINANCIAL EXPERT**

Our board of directors has determined that Adi Yarel Toledano is an audit committee financial expert as defined by the SEC rules and has the requisite financial experience as defined by the corporate governance rules of NYSE.

**B. CODE OF ETHICS**

We have adopted a Code of Business Conduct and Ethics that applies to all our employees, officers and directors. Our Code of Business Conduct and Ethics addresses, among other things, competition and fair dealing, gifts and entertainment, conflicts of interest, international business laws, financial matters and external reporting, company assets, confidentiality and corporate opportunity requirements and the process for reporting violations of the Code of Business Conduct and Ethics. Our Code of Business Conduct and Ethics is intended to meet the definition of “code of ethics” under Item 16B of 20-F under the Exchange Act.

We will disclose on our website any amendment to, or waiver from, a provision of our Code of Business Conduct and Ethics that applies to our directors or executive officers to the extent required under the rules of the SEC or NYSE. Our Code of Business Conduct and Ethics is available on our website at <https://investors.valens.com/governance/governance-documents/default.aspx>. The information contained on or through our website, or any other website referred to herein, is not incorporated by reference in this Annual Report.

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**C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

**Fees Paid to the Auditors**

The following table sets forth, for each of the years indicated, the fees billed by our independent registered public accounting firm.

	<u>2021</u>	<u>2020</u>
	(in thousands of U.S. dollars)	
Audit fees(1)	\$ 262	\$ 40
Audit-related fees(2)	409	—
Tax fees(3)	70	24
All other fees(4)	1	—
Total	<u>\$ 742</u>	<u>\$ 64</u>

- (1) “Audit fees” include fees for services performed by our independent public accounting firm in connection with our annual audit consolidated financial statements, certain procedures regarding our quarterly financial results submitted on Form 6-K, and services that are normally provided by our independent registered public accounting firm in connection with statutory and regulatory filings, including in connection with review of registration statements and consents.
- (2) “Audit-related fees” consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our year-end financial statements and are not reported under “Audit Fees.” These services include due diligence related to mergers and acquisitions and consultation concerning financial accounting and reporting standards.
- (3) “Tax fees” include fees for professional services rendered by our independent registered public accounting firm for tax compliance and tax advice and tax planning services on actual or contemplated transactions.
- (4) “Other fees” include fees for services rendered by our independent registered public accounting firm with respect to automation tool.

***Pre-Approval Policies and Procedures***

The advance approval of the Audit Committee or members thereof, to whom approval authority has been delegated, is required for all audit and non-audit services provided by our auditors.

All services provided by our auditors are approved in advance by either the Audit Committee or members thereof, to whom authority has been delegated, in accordance with the Audit Committee’s pre-approval policy.

**D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Not applicable.

**E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

None.

**F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT**

Not applicable.

**G. CORPORATE GOVERNANCE**

We are a “foreign private issuer” (as such term is defined in Rule 3b-4 under the Exchange Act) and our ordinary shares are listed on the New York Stock Exchange. We believe the following to be the significant differences between our corporate governance practices and those applicable to U.S. companies under the NYSE listing standards. Under the New York Stock Exchange rules, listed companies that are foreign private issuers are permitted to follow home country practice in lieu of the corporate governance provisions specified by the New York Stock Exchange with limited exceptions. We rely on this “home country practice exemption” with respect to the quorum requirement for shareholder meetings and with respect to the shareholder approval requirements. As permitted under the Companies Law, pursuant to our amended and restated articles of association, the quorum required for an ordinary meeting of shareholders consists of at least two shareholders present in person, by proxy or by other voting instrument in accordance with the Companies Law, who hold at least 25% of the voting power of our shares (and in an adjourned meeting, with some exceptions, any number of shareholders), instead of 33<sup>1</sup>/<sub>3</sub>% of the issued share capital required under the New York Stock Exchange corporate governance rules.

We otherwise comply with and intend to continue to comply with the rules generally applicable to U.S. domestic companies listed on the New York Stock Exchange. We may in the future, however, decide to use other foreign private issuer exemptions with respect to some or all of the other New York Stock Exchange listing rules. Following our home country governance practices may provide less protection than is accorded to investors under the New York Stock Exchange listing rules applicable to domestic issuers..

**H. MINE SAFETY DISCLOSURE**

Not applicable.

**I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

Not applicable.

**PART III**

**ITEM 17. FINANCIAL STATEMENTS**

See “Part III, Item 18. Financial Information.”

**ITEM 18. FINANCIAL STATEMENTS**

Please refer to pages F-1 through F-36 of this Annual Report.

**ITEM 19. EXHIBITS**

<b>Exhibit Number</b>	<b>Description</b>
1.1*	<a href="#">Amended and Restated Articles of Association of Valens Semiconductor Ltd.</a>
2.1*	<a href="#">Description of Securities</a>
4.1*	<a href="#">Business Combination Agreement, dated as of May 25, 2021, by and among Valens, PTK and Merger Sub.</a>
4.2	<a href="#">Warrant Agreement, dated as of July 13, 2020, between Continental and PTK (incorporated by reference to PTK’s Current Report on Form 8-K filed on July 21, 2020).</a>
4.3	<a href="#">Specimen Ordinary Share Certificate of Valens (incorporated by reference to Exhibit 4.7 to Valens Semiconductor Ltd.’s Form F-4 filed with the SEC on August 26, 2021, as amended).</a>
4.4	<a href="#">Specimen Warrant Certificate of Valens (incorporated by reference to Exhibit 4.8 to Valens Semiconductor Ltd.’s Form F-4 filed with the SEC on August 26, 2021, as amended).</a>
4.5	<a href="#">Form of Amended and Restated Warrant Agreement, by and among Valens, PTK and Continental. (incorporated by reference to Exhibit 4.9 to Valens Semiconductor Ltd.’s Form F-4 filed with the SEC on August 26, 2021, as amended).</a>
4.6	<a href="#">Second Amended and Restated Investors’ Rights Agreement, dated as of May 25, 2021, by and among Valens, certain equityholders of Valens and certain equityholders of PTK. (incorporated by reference to Exhibit 4.10 to Valens Semiconductor Ltd.’s Form F-4 filed with the SEC on August 26, 2021, as amended).</a>
4.7*†††	<a href="#">Valens Semiconductor Ltd. Compensation Policy</a>
4.8*†††	<a href="#">Form of Director and Officer Indemnification Agreement. (incorporated by reference to Exhibit 10.5 to Valens Semiconductor Ltd.’s Form F-4 filed with the SEC on August 26, 2021, as amended)</a>
4.9	<a href="#">Form of Subscription Agreement, by and between Valens and the subscribers party thereto (incorporated by reference to Exhibit 10.4 to Valens Semiconductor Ltd.’s Form F-4 filed with the SEC on August 26, 2021, as amended).</a>
4.11	<a href="#">Form of Support Agreement, dated as of May 25, 2021, by and among Valens, PTK and certain equityholders of Valens. (Incorporated by reference to Exhibit 10.2 to Valens Semiconductor Ltd.’s Form F-4 filed with the SEC on August 26, 2021, as amended).</a>

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4.12†††	<a href="#"><u>Investment Management Trust Agreement, dated as of July 13, 2020, by and between Continental and PTK (incorporated by reference to Exhibit 10.2 to PTK's Current Report on Form 8-K filed on July 21, 2020).</u></a>
4.13	<a href="#"><u>Sponsor Letter Agreement, dated as of May 25, 2021, by certain officers, directors and initial stockholders of PTK in favor of Valens and PTK. (incorporated by reference to Exhibit 10.3 to Valens Semiconductor Ltd.'s Form F-4 filed with the SEC on August 26, 2021, as amended).</u></a>
4.14*†††	<a href="#"><u>Valens Semiconductor Ltd. 2007 Option Plan</u></a>
4.15*†††	<a href="#"><u>Valens Semiconductor Ltd. 2012 Option Plan</u></a>
4.16*†††	<a href="#"><u>Valens Semiconductor Ltd. 2021 Share Incentive Plan</u></a>
4.17*†††	<a href="#"><u>Valens Semiconductor Ltd. 2021 Employee Stock Purchase Plan</u></a>
8.1*	<a href="#"><u>List of subsidiaries of Valens Semiconductor Ltd.</u></a>
12.1*	<a href="#"><u>Principal Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
12.2*	<a href="#"><u>Principal Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
13.1**	<a href="#"><u>Principal Executive Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
13.2**	<a href="#"><u>Principal Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
15.1*	<a href="#"><u>Consent of Kesselman &amp; Kesselman, independent registered public accounting firm.</u></a>
101.INS*	Inline XBRL Instance Document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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\* Filed herewith.

\*\* Furnished herewith.

† Schedules and exhibits to this Exhibit omitted pursuant to Regulation S-K Item 601(b)(2). The Registrant agrees to furnish supplementally a copy of any omitted schedule or exhibit to the SEC upon request.

†† Certain confidential portions (indicated by brackets and asterisks) have been omitted from this exhibit.

††† Indicates a management contract or compensatory plan.

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

**VALENS SEMICONDUCTOR LTD.**

Date: March 2, 2022

By: /s/ Gideon Ben-Zvi

Name: Gideon Ben-Zvi

Title: Chief Executive Officer

Date: March 2, 2022

By: /s/ Dror Heldenberg

Name: Dror Heldenberg

Title: Chief Financial Officer

**VALENS SEMICONDUCTOR LTD.**  
CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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**VALENS SEMICONDUCTOR LTD.**

CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of Valens Semiconductor Ltd.

***Opinion on the Financial Statements***

We have audited the accompanying consolidated balance sheets of Valens Semiconductor Ltd. and its subsidiaries (the “Company”) as of December 31, 2021 and 2020, and the related consolidated statements of operations, of changes in shareholders’ equity (deficit) and of cash flows for each of the three years in the period ended December 31, 2021, including the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Tel-Aviv, Israel  
March 2, 2022

/s/ Kesselman & Kesselman  
Certified Public Accountants (Isr.)  
A member firm of PricewaterhouseCoopers International Limited

We have served as the Company’s auditor since 2019.

**VALENS SEMICONDUCTOR LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
(U.S. dollars in thousands, except for number of shares and par value)

	Note	December 31	
		2021	2020
<b>Assets</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents		56,791	26,316
Short-term deposits		117,568	35,254
Trade accounts receivable		7,095	8,679
Prepaid expenses		6,927	2,344
Other current assets		1,328	625
Inventories	3	9,322	3,159
<b>TOTAL CURRENT ASSETS</b>		<b>199,031</b>	<b>76,377</b>
<b>LONG-TERM ASSETS:</b>			
Property and equipment, net	4	2,741	2,353
Other assets		828	435
<b>TOTAL LONG-TERM ASSETS</b>		<b>3,569</b>	<b>2,788</b>
<b>TOTAL ASSETS</b>		<b><u>202,600</u></b>	<b><u>79,165</u></b>

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

**VALENS SEMICONDUCTOR LTD.**  
CONSOLIDATED BALANCE SHEETS (continued)  
(U.S. dollars in thousands, except for number of shares and par value)

	Note	December 31	
		2021	2020
<b>Liabilities, redeemable convertible preferred shares and Shareholders' Equity (Deficit)</b>			
<b>CURRENT LIABILITIES:</b>			
Trade accounts payable		4,493	1,787
Accrued compensation		4,583	3,950
Other current liabilities	5	6,623	5,427
<b>TOTAL CURRENT LIABILITIES</b>		<b>15,699</b>	<b>11,164</b>
<b>LONG-TERM LIABILITIES:</b>			
Warrants liability	7	—	568
Forfeiture Shares, no par value: 1,006,250 and 0 shares authorized, issued and outstanding as of December 31, 2021 and 2020, respectively;	8	4,658	—
Other long-term liabilities		46	45
<b>TOTAL LONG-TERM LIABILITIES</b>		<b>4,704</b>	<b>613</b>
<b>COMMITMENTS AND CONTINGENT LIABILITIES</b>	6	—	—
<b>TOTAL LIABILITIES</b>		<b>20,403</b>	<b>11,777</b>
<b>REDEEMABLE CONVERTIBLE PREFERRED SHARES</b>	9		
Series A Preferred Shares, NIS 0.01 par value: 0 and 38,000,000 shares authorized as of December 31, 2021 and 2020 respectively; 0 and 32,901,384 shares issued and outstanding as of December 31, 2021 and 2020 respectively;		—	15,634
Series B-1 Preferred Shares, NIS 0.01 par value: 0 and 11,000,000 shares authorized as of December 31, 2021 and 2020 respectively; 0 and 9,957,400 shares issued and outstanding as of December 31, 2021 and 2020 respectively;		—	3,929
Series B-2 Preferred Shares, NIS 0.01 par value: 0 and 19,000,000 shares authorized as of December 31, 2021 and 2020 respectively; 0 and 18,670,270 shares issued and outstanding as of December 31, 2021 and 2020 respectively;		—	10,000
Series C Preferred Shares, NIS 0.01 par value: 0 and 9,425,000 shares authorized as of December 31, 2021 and 2020 respectively; 0 and 9,424,938 shares issued and outstanding as of December 31, 2021 and 2020 respectively;		—	19,942
Series D Preferred Shares NIS 0.01 par value: 0 and 19,313,650 shares authorized as of December 31, 2021 and 2020 respectively; 0 and 19,313,646 shares issued and outstanding as of December 31, 2021 and 2020 respectively;		—	60,286
Series E Preferred Shares, NIS 0.01 par value: 0 and 11,205,179 shares authorized as of December 31, 2021 and 2020 respectively; 0 and 11,080,674 shares issued and outstanding as of December 31, 2021 and 2020 respectively;		—	39,820
<b>TOTAL REDEEMABLE CONVERTIBLE PREFERRED SHARES</b>		<b>—</b>	<b>149,611</b>
<b>SHAREHOLDERS' EQUITY (DEFICIT):</b>			
Ordinary shares, no par value: 700,000,000 and 95,709,724 shares authorized as of December 31, 2021 and 2020, respectively; 97,122,405 (excluding 1,006,250 Ordinary shares subject to forfeiture), and 10,795,372 shares issued and outstanding as of December 31, 2021 and 2020, respectively	9	49	40
Additional paid-in capital		312,156	21,211
Accumulated deficit		(130,008)	(103,474)
<b>TOTAL SHAREHOLDERS' EQUITY (DEFICIT)</b>		<b>182,197</b>	<b>(82,223)</b>
<b>TOTAL LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED SHARES AND SHAREHOLDERS' EQUITY (DEFICIT)</b>		<b>202,600</b>	<b>79,165</b>

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

**VALENS SEMICONDUCTOR LTD.**  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(U.S. dollars in thousands, except share and per share amounts)

	Note	Year ended December 31		
		2021	2020	2019
<b>REVENUES</b>		70,684	56,910	60,041
<b>COST OF REVENUES</b>		(20,105)	(13,432)	(12,585)
<b>GROSS PROFIT</b>		50,579	43,478	47,456
<b>OPERATING EXPENSES:</b>				
Research and development expenses		(46,875)	(44,725)	(52,704)
Sales and marketing expenses		(14,214)	(13,657)	(17,616)
General and administrative expenses		(16,556)	(7,884)	(5,120)
<b>TOTAL OPERATING EXPENSES</b>		(77,645)	(66,266)	(75,440)
<b>OPERATING LOSS</b>		(27,066)	(22,788)	(27,984)
Financial income, net	12	929	3,300	2,443
<b>LOSS BEFORE INCOME TAXES</b>		(26,137)	(19,488)	(25,541)
<b>INCOME TAXES</b>	14	(407)	(164)	(414)
<b>LOSS AFTER INCOME TAXES</b>		(26,544)	(19,652)	(25,955)
Equity in earnings of investee		10	17	21
<b>NET LOSS</b>		(26,534)	(19,635)	(25,934)
<b>Basic and diluted net loss per Ordinary Share</b>	13	(1.15)	(3.25)	(4.13)
<b>Weighted average number of shares used in computing net loss per Ordinary Share</b>		33,031,205	10,448,218	9,522,608

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

**VALENS SEMICONDUCTOR LTD.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)**  
(U.S. dollars in thousands, except for share data)

	Ordinary shares		Additional paid- in capital	Accumulated deficit	Total
	Shares	Amount			
<b>BALANCE AS OF DECEMBER 31, 2018</b>	9,379,757	34	12,486	(57,905)	(45,385)
<b>CHANGE DURING 2019:</b>					
Exercise of options	509,927	2	130	—	132
Stock-based compensation	—		2,864	—	2,864
Net loss	—		—	(25,934)	(25,934)
<b>BALANCE AS OF DECEMBER 31, 2019</b>	9,889,684	36	15,480	(83,839)	(68,323)
<b>CHANGE DURING 2020:</b>					
Exercise of options	905,688	4	402	—	406
Stock-based compensation	—		5,329	—	5,329
Net loss	—		—	(19,635)	(19,635)
<b>BALANCE AS OF DECEMBER 31, 2020</b>	10,795,372	40	21,211	(103,474)	(82,223)
<b>CHANGE DURING 2021:</b>					
Exercise of options	1,722,880	9	1,237	—	1,246
Stock-based compensation	—		9,869	—	9,869
Conversion of Redeemable Convertible Preferred Shares	67,242,640		150,179	—	150,179
Merger transaction, net (Note 1(d))	(*)17,361,513		129,660	—	129,660
Net loss	—		—	(26,534)	(26,534)
<b>BALANCE AS OF DECEMBER 31, 2021</b>	<u>97,122,405</u>	<u>49</u>	<u>312,156</u>	<u>(130,008)</u>	<u>182,197</u>

(\*) Excluding 1,006,250 Forfeiture Shares.

**The accompanying notes are an integral part of these consolidated financial statements.**

**VALENS SEMICONDUCTOR LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(U.S. dollars in thousands)

	<b>Year ended December 31</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net loss	(26,534)	(19,635)	(25,934)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	1,099	1,093	1,038
Stock-based compensation	9,869	5,329	2,864
Exchange rate differences	(496)	(2,821)	(429)
Interest from short-term deposits	87	524	188
Change in fair value of warrant liability	—	109	—
Change in fair value of Forfeiture Shares	173	—	—
Equity in earnings of investee, net of dividend received	18	11	2
Changes in operating assets and liabilities:			
Trade accounts receivable	1,584	(944)	2,457
Prepaid expenses	(4,583)	(902)	304
Other current assets	(703)	161	(161)
Inventories	(6,163)	(449)	(1,728)
Long-term assets	(411)	(1)	(119)
Trade accounts payable	2,633	(1,470)	(545)
Accrued compensation	633	(1,555)	158
Other current liabilities	1,184	944	243
Other long-term liabilities	1	—	45
Net cash used in operating activities	<u>(21,609)</u>	<u>(19,606)</u>	<u>(21,617)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment in short-term deposits	(121,947)	(86,861)	(90,000)
Maturities in short-term deposits	39,227	116,036	102,000
Purchase of property and equipment	(1,443)	(861)	(1,431)
Net cash provided by (used in) investing activities	<u>(84,163)</u>	<u>28,314</u>	<u>10,569</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES -</b>			
Proceeds from Transactions related to the Merger, net	134,185	—	—
Exercise of options	1,246	406	132
Net cash provided by financing activities	<u>135,431</u>	<u>406</u>	<u>132</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	816	1,646	429
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	30,475	10,760	(10,487)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>26,316</u>	<u>15,556</u>	<u>26,043</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>56,791</u>	<u>26,316</u>	<u>15,556</u>
<b>SUPPLEMENT DISCLOSURE OF CASH FLOW INFORMATION -</b>			
Cash paid for taxes	<u>417</u>	<u>139</u>	<u>433</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>			
Trade accounts payable on account of property and equipment	44	—	—
Unpaid issuance costs	41	—	—
Conversion of Redeemable Convertible Preferred Shares	150,179	—	—
Issuance of Forfeiture Shares	4,485	—	—

**The accompanying notes are an integral part of these consolidated financial statements.**

**VALENS SEMICONDUCTOR LTD.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 1 - GENERAL:**

- a. Valens Semiconductor Ltd. (hereafter “Valens”, and together with its wholly owned subsidiaries, the “Company”), was incorporated in Israel in 2006.

Valens is a leading provider of semiconductor products (chips), operates in the Audio-Video and Automotive industries, renowned for its Physical Layer (PHY) technologies, enabling resilient high-speed connectivity over simple, low-cost infrastructure. Valens is the inventor of the HDBaseT Technology, which enables the converged delivery of ultra-high-definition digital video and audio, Ethernet, control signals, USB and power through a single cable. In the audio-video space, Valens’ HDBaseT technology enables plug-and-play digital connectivity between ultra-HD video sources and remote displays. In the automotive domain, Valens’ product offering includes both symmetric and asymmetric connectivity solutions for high bandwidth transmission of native interfaces over a single low-cost wires and connectors. Valens’ advanced PHY technologies for the auto industry provides the safety and resilience required to handle the noisy automotive environment, addressing the needs of Advanced driver-assistance systems (ADAS), Automotive Data Solutions (ADS), infotainment, telematics and backbone connectivity.

As of September 30, 2021, the Company began trading on the New York Stock Exchange under the Symbol “VLN”; refer also to 1(d) below.

- b. On March 11, 2020, the World Health Organization designated the outbreak of a novel strain of coronavirus (“COVID-19”) as a global pandemic. Governments and businesses around the world have taken unprecedented actions to mitigate the spread of COVID-19, including imposing restrictions on movement and travel such as quarantines and shelter-in-place requirements, and restricting or prohibiting outright some or all commercial and business activity. These measures, though currently temporary in nature, may become more severe and continue indefinitely depending on the evolution of the COVID-19 pandemic. Although there are effective vaccines for COVID-19 that have been approved for use, not all the Company’s employees are vaccinated and specifically not with the booster vaccination. In addition, new strains of the virus have appeared (primarily, and most recently the Omicron variant), which may complicate treatment and vaccination programs. Accordingly, concerns remain regarding additional surges of the pandemic or the expansion of the economic impact thereof, and the extent to which the COVID-19 pandemic may impact the Company’s future results of operations and financial condition.

The Company has taken precautionary measures intended to help minimize the risk of the virus to its employees, including requiring some of the employees to work remotely and suspended all non-essential travels.

The Company’s business and operations have been and could in the future be adversely affected by the global COVID-19 pandemic. The COVID-19 pandemic and efforts to control its spread have curtailed the movement of people, goods and services worldwide, including in the regions in which we and our customers and partners operate, and are significantly impacting economic activity and financial markets. During 2020 and 2021, the Company noticed a negative impact from COVID-19 on some of its customers’ demand, particularly with respect to end users’ audio-video and multimedia products that are used in public areas and for public events. Yet, the Company did receive an increase in demand for its high-speed connectivity products driven by a need for products and infrastructure to support the world’s developed trends derived from COVID-19 such as working from home, hybrid educational models and remote healthcare.

On the product supply side, as the shortage in the semiconductor industry increases, the Company continues to face the impact of extended lead times from its suppliers as well as cost increases for certain raw materials that are in short supply, which may impact the Company’s revenues and gross margins.

**VALENS SEMICONDUCTOR LTD.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

**NOTE 1 - GENERAL** (continued):

Overall, considering the changing nature and continuing uncertainty around the COVID-19 pandemic, the Company's ability to predict the impact of COVID-19 on its business in future periods remains limited. The effects of the pandemic on the Company's business is unlikely to be fully realized, or reflected in its financial results, until future periods.

- c. As of December 31, 2021, and 2020, the Company has wholly owned subsidiaries in the United States, Japan, China, and Germany primarily for the marketing of and support for the Company's products.

In March 2010, the Company incorporated, together with Samsung Electronics, LG Electronics and Sony Pictures Technologies Inc., the HDBaseT Licensing LLC (the "LLC") in Oregon, USA. The Company holds 25% of interest in the LLC. The LLC's purposes are (i) to hold, obtain, license and/or acquire rights to certain intellectual property associated with or connected to or related to technical specifications developed by the HDBaseT Alliance, an Oregon nonprofit mutual benefit corporation (hereafter the "Alliance"), to enter into licensing arrangements for such intellectual property as required by the intellectual property rights policy of the Alliance; and (ii) to engage in any other lawful act or activity for which limited liability companies may be formed under the Act, and to do all things incidental to such purposes.

- d. On September 29, 2021 (the "Closing Date"), the Company consummated a merger transaction (referred to as the "Merger Agreement Closing") pursuant to a merger agreement, dated May 25, 2021 (the "Merger Agreement"), by and among the Company, PTK Acquisition Corp., a Delaware corporation whose common stock and warrants were then traded on the New York Stock Exchange ("PTK" or "SPAC") and Valens Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of the Company ("Merger Sub").

As a result of the Merger Agreement Closing, and upon consummation of other transactions contemplated by the Merger Agreement Closing (the "Transactions"), PTK became a wholly owned subsidiary of the Company, and (a) each of the PTK Warrants (total of 18,160,000 warrants (composed of 11,500,000 Public Warrants ("Public Warrants") and 6,660,000 Private Warrants as both further disclosed in Note 10(b) below) convertible into 9,080,000 PTK common stock), automatically became a Company Warrant and all rights with respect to the PTK common stock underlying the PTK Warrants were automatically converted into rights with respect to Company Ordinary Shares and thereupon assumed by the Company, and (b) each PTK common stock issued and outstanding immediately prior to the Merger Agreement Closing was converted automatically into one Company Ordinary Share (for total of 5,867,763 Ordinary Shares including the Ordinary Shares subject to forfeiture). The total proceeds received by the Company as part of the above Transactions totaled to \$29.9 million.

In connection therewith, the Company issued to the PTK's sponsor: (a) 2,875,000 Ordinary Shares; and (b) 6,660,000 warrants, each of which entitles the holder thereof to purchase one half (1/2) of a Company Ordinary Share (the "Private Warrants", refer also to Note 10(b) below) ((a) and (b) together, the "Sponsor Equity"). The Sponsor Equity is subject to certain terms and conditions, as set forth in the Merger Agreement. 35% of the Valens Ordinary Shares that the PTK sponsor received in respect of its PTK common stock (i.e., 1,006,250 Ordinary Shares), are subject to forfeiture if certain price targets for the Valens Ordinary Shares are not achieved within a certain period of time after the Closing Date or if an M&A Transaction (as defined in the Merger Agreement), does not occur at a certain minimum price (the "Forfeiture Shares"). Such Forfeiture Shares are classified as a liability and presented at fair value, although they are considered outstanding shares and are entitled to voting rights and distributions. Please refer in addition to Note 2(y).

Concurrently with the execution of the Merger Agreement, Valens and certain accredited investors (the "PIPE Investors"), entered into a series of subscription agreements, providing for the purchase by the PIPE (Private Investment in Public Equity) Investors at the Closing Date of an aggregate of 12,500,000 Valens Ordinary Shares ("PIPE Shares") at a price per share of \$10.00, for gross proceeds to Valens of \$125.0 million (collectively, the "PIPE Financing").



**VALENS SEMICONDUCTOR LTD.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

**NOTE 1 - GENERAL** (continued):

Pursuant to the Merger Agreement Closing, and immediately prior to the consummation of the Merger and the PIPE Financing, the Company effected a recapitalization transaction whereby (i) all of the Company Preferred Shares were converted on a one-to-one basis into the Company Ordinary Shares, (ii) each Company Ordinary Share that was issued and outstanding immediately prior to the Closing Date, was reverse split into a number of the Company Ordinary Shares, such that each Company Ordinary Share had an implied value of \$10.00 per share at the Closing Date, after giving effect to a stock reverse split ratio of 0.662531-to-one Ordinary Share (the “Reverse Stock Split”), ((i) and (ii) collectively the “Recapitalization”), (iii) the Company adopted amended and restated articles of association and (iv) any outstanding stock options of the Company issued and outstanding immediately prior to the Closing Date were adjusted to give effect to the foregoing transactions and remained outstanding and their exercise prices were adjusted accordingly. In addition, the Company eliminated the par value of its Ordinary Shares.

As a result, all Ordinary Shares, options exercisable for Ordinary Shares, exercise prices and income (loss) per share amounts have been adjusted on a retroactive basis, for all periods presented in these consolidated financial statements, to reflect such Reverse Stock Split. The number of Preferred Shares has not been retrospectively adjusted in these consolidated financial statements since the conversion to Ordinary Shares occurred simultaneously with the Reverse Stock Split. The conversion of the Redeemable Convertible Preferred Shares was reflected on the Closing Date. The total number of Preferred Shares converted into Ordinary Shares on September 29, 2021, was 67,242,640 after giving effect of the Reverse Stock Split.

The net proceeds received by the Company as part of the Merger Agreement Closing and the PIPE Financing totaled to \$131.6 million; underwriting fees and issuance costs (which consist of certain legal, accounting and other costs) amounted to \$23.4 million, out of which an amount of \$20.8 million was recorded as a reduction to Shareholders’ Equity, and an amount of \$2.6 million was recorded within Statements of Operations (\$2.1 million in the General and administrative expenses and \$0.5 million was recorded in the Financial income, net).

In addition, and as part of the Merger Agreement Closing and the PIPE Financing, i) the Company booked within the General and Administrative expenses an amount of approximately \$3.4 million, due to options vesting acceleration resulted from the Merger Agreement Closing (refer also to note 11); and ii) the Company recorded the Forfeiture Shares liability of \$4.5 million against the Additional Paid In Capital (refer also to note 2(y)).

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**a. Basis of Presentation**

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

**b. Use of estimates in preparation of financial statements**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the balance sheet date, amounts of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates under different assumptions or circumstances.

**VALENS SEMICONDUCTOR LTD.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued):

On an ongoing basis, management evaluates its estimates, including those related to write-down for excess and obsolete inventories, the valuation of stock-based compensation awards, fair value of warrants liability and forfeiture shares liability. Such estimates often require the selection of appropriate valuation methodologies and models, and significant judgment in evaluating ranges of assumptions and financial inputs. These estimates are based on historical data and experience, as well as various other factors that management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources.

**c. Principles of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries. All inter-company transactions, balances, income, and expenses are eliminated in the consolidated financial statements.

**d. Functional Currency**

The currency of the primary economic environment in which Valens and each of its subsidiaries conducts its operations is the U.S. dollar (“dollar”). Accordingly, the Company uses the dollar as its functional and reporting currency. Foreign currency assets and liabilities are remeasured into U.S. dollars at the end-of-period exchange rates except for non-monetary assets and liabilities, which are remeasured at historical exchange rates. Expenses in foreign currency (mainly payroll to Israeli employees and overhead expenses of the Israeli office), are remeasured at the exchange rate in effect during the period the transaction occurred, except for those expenses related to balance sheet amounts, which are remeasured at historical exchange rates. Gains or losses from foreign currency transactions are included in the consolidated statements of income (loss) as part of “financial income, net”.

**e. Cash and cash equivalents**

Cash and cash equivalents consist of cash and demand deposits in banks and other short-term, highly liquid investments with original maturities of less than three months at the time of purchase.

**f. Short term deposits**

Short-term deposits are bank deposits with maturities over three months and of up to one year. As of December 31, 2021, and 2020, the short-term deposits were denominated in U.S. dollars and bore interest of 0.6% and 1.2%, respectively. Short-term deposits are presented on the balance sheet at their cost, including accrued interest.

**g. Fair Value of Financial Instruments**

The FASB ASC Topic 820, Fair Value Measurements and Disclosures (“Topic 820”), establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under Topic 820 are described below:

Level 1 - Quoted prices in active markets for identical assets or liabilities;

**VALENS SEMICONDUCTOR LTD.**

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued):

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair values of the assets or liabilities.

The Company's financial instruments consist of cash, cash equivalents, short-term bank deposits, trade accounts receivable and trade accounts payable as well as warrants liability and forfeiture shares liability. Other than the warrants liability and the forfeiture shares liability (see below), the recorded amounts approximate their respective fair value because of the liquidity and short period of time to maturity, receipt or payment of these instruments.

The Company's financial instruments which are considered as a Level 3 measurement are warrants liability and forfeiture shares liability (refer also to note 7 and 8).

**h. Trade Accounts Receivable and Allowances for Doubtful Accounts**

Trade accounts receivable are recorded at the invoiced amount and do not include finance charges. The Company performs ongoing credit evaluation of its customers and generally requires no collateral. The Company assesses the need for allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments by considering factors such as historical collection experience, credit quality, aging of the accounts receivable balances and current economic conditions that may affect a customer's ability to pay. There were no write-offs of accounts receivable for the fiscal years ended December 31, 2021, 2020 and 2019, respectively. There is no allowance for doubtful accounts recorded as of December 31, 2021 and 2020, respectively.

**i. Inventories**

Inventories are comprised of finished goods as well as work in process that is planned to be sold to the Company's customers and is presented at the lower of cost or net realizable value, based on the "first-in, first-out" basis. Most inventories are stored at the last production sites and are distributed from these locations. Inventories are reduced for write-downs based on periodic reviews for evidence of slow-moving or obsolete parts. Once written down, inventories write-downs are not reversed until the inventories are sold or scrapped.

**j. Property and equipment**

Property and equipment are stated at cost less accumulated depreciation that is calculated using the straight-line method over the estimated useful lives of the related assets, as follows:

	%
Computers and software	33
Electronic and laboratory equipment	15-33
Furniture and office equipment	7
Production equipment	50

Leasehold improvements are depreciated by the straight-line method over the shorter of the term of the lease or the estimated useful life of such improvements.

VALENS SEMICONDUCTOR LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

**k. Impairment of long-lived assets**

The Company tests long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. Recoverability of long-lived assets is measured by comparing the carrying amount of the long-lived asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the sum of the expected undiscounted cash flow is less than the carrying amount of the asset, the Company recognizes an impairment loss, which is the excess of the carrying amount over the fair value of the asset, using the expected future discounted cash flows.

For the years ended December 31, 2021, 2020 and 2019, the Company did not recognize an impairment loss on its long-lived assets.

**l. Severance Pay**

**Valens:** The Israeli Severance Pay Law, 1963 (“Severance Pay Law”), specifies that employees are entitled to severance payment, following the termination of their employment. Under the Severance Pay Law, the severance payment is calculated as one-month’s salary for each year of employment, or a portion thereof.

The employees of Valens Ltd. elected to be included under section 14 of the Israeli Severance Compensation Act, 1963 (“section 14”). According to this section, these employees are entitled only to monthly deposits, at a rate of 8.33% of their monthly salary, made in their name with insurance companies and/or pension funds. Payments in accordance with section 14 release Valens Ltd. from any future severance payments (under the above Israeli Severance Pay Law) in respect of those employees. As a result, the Company does not recognize any liability for severance pay due to these employees. The aforementioned deposits are not recorded as an asset in the Company’s balance sheet as they are not under the Company’s control.

**Chinese subsidiary:** The Chinese subsidiary liability for severance pay for its local employees is calculated in accordance with the Chinese law. The severance payment is calculated as the product of A x B, where A is the lower of a) most recent monthly salary paid to employees or b) cap of RMB 24,633 (approximately \$3,900), and B is the length of employment in the Company (years). The Company does not make deposits in third party funds, hence, records the potential liability in the balance sheet.

**m. Revenue recognition**

The Company applies ASC 606, “Revenue from Contracts with Customers” (“ASC 606”). Under ASC 606, an entity recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration that the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of ASC 606, the entity performs the following five steps:

- (i) Identify the contract(s) with a customer;
- (ii) Identify the performance obligations in the contract;
- (iii) Determine the transaction price;
- (iv) Allocate the transaction price to the performance obligations in the contract;
- (v) Recognize revenue when (or as) the performance obligation is satisfied.

Upon adoption of ASC 606 on January 1, 2019, the Company analyzed the contracts that were signed and not yet completed before the effective date and found no material impact on its consolidated financial statements as a result of the transition into the new accounting standard. No cumulative adjustment to accumulated deficit was recorded as a result of ASC 606 implementation.

**VALENS SEMICONDUCTOR LTD.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued):

The Company uses the following practical expedients that are permitted under the rules:

- The Company recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that the Company otherwise would have recognized is one year or less. These costs are included in sales and marketing expenses.
- When a contract with a customer includes a material right to acquire future goods or services that are similar to the original goods or services in the contract and are provided in accordance with the terms of the original contract, the Company allocates the transaction price to the optional goods or services by reference to the goods or services expected to be provided and the corresponding expected consideration.
- The Company applies the practical expedient of allowing it to disregard the effects of a financing component if the period between when the Company transfers the promised services to the customer and when the customer pays for the services will be one year or less.

The Company generates revenues from selling semiconductor products (chips). Revenues are recognized when the customer (which includes distributors) obtains control over the Company's product, typically upon shipment to the customer. Taxes collected from customers relating to product sales and remitted to governmental authorities are excluded from revenues.

The Company does not grant a right of return, refund, cancelation or termination. From time to time, the Company provides certain distributors with the right to free or discounted goods products in future periods that provides a material right to the customer. In such cases, such right is accounted for as a separate performance obligation. As of December 31, 2021, and 2020, the deferred revenues for such material rights were \$54 thousand and \$76 thousand, respectively. The amount of revenues recognized in the period that was included in the opening deferred revenues balance was \$76 and \$0 thousand for the years ended December 31, 2021, and December 31, 2020, respectively.

The Company generally provides to its customers a limited warranty assurance that the sold products are in compliance with the applicable specifications at the time of delivery. Under the Company's standard terms and conditions of sale, liability for certain failures of product during a stated warranty period is usually limited to repair or replacement of defective items.

**n. Cost of Revenues**

Cost of revenues includes cost of materials, such as the cost of wafers, costs associated with packaging, assembly and testing costs, as well as royalties, shipping cost, depreciation cost of production equipment, cost of personnel (including stock-based compensation), costs of logistics and quality assurance and other expenses associated with manufacturing support.

**o. Research and development costs**

Research and development costs are expensed as incurred. Research and development expenses consists of costs incurred in performing research and development activities including cost of personnel (including stock-based compensation), pre-production engineering mask costs, engineering services, development tools cost, third parties' intellectual property license fees, depreciation of development equipment, prototype wafers, packaging and test development costs as well as overhead costs. Development of a product is deemed complete when it is qualified through reviews and tests for performance and reliability. Subsequent to product qualification, product costs are included in cost of goods sold.

**VALENS SEMICONDUCTOR LTD.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued):

**p. Sales Commissions**

Internal sales commissions are recorded within sales and marketing expenses. Sales commissions for the years ended December 31, 2021, 2020 and 2019 were \$790 thousand, \$412 thousand and \$509 thousand, respectively.

**q. Leases**

The Company leases cars and offices for use in its operations, which are classified as operating leases. Rentals (excluding contingent rentals) for operating leases are charged to expense using the straight-line method. If rental payments are not made on a straight-line basis, rental expenses nevertheless are recognized on a straight-line basis unless another systematic and rational basis is more representative of the time pattern in which use benefit is derived from the leased property, in which case that basis is used. The Company will adopt the requirements of ASC 842 on January 1, 2022, using the modified retrospective approach, at the effective date, without adjusting the comparative periods, please refer to note 2(aa).

**r. Equity investee**

Investment in which the Company exercises significant influence and which is not considered a subsidiary is accounted for using the equity method, whereby the Company recognizes its proportionate share of the investee's net income or loss after the date of investment, see Note 1c. The equity investee is included within Other assets and totaled to \$17 thousand and \$35 thousand as of December 31, 2021 and 2020, respectively.

**s. Segment reporting**

The chief operating decision maker is the Company's Chief Executive Officer (the "CODM"), who makes resource allocation decisions and assesses performance based on financial information prepared on a consolidated basis, accompanied by disaggregated information about revenues, gross profit and operating loss by the two identified reportable segments. The Company's business includes two operating segments based on the two markets the Company serves:

- 1) Audio-Video: The Company's HDBaseT technology for the Audio-Video market deliver superior, plug-and-play convergence and distribution of different interfaces, through a single long-distance category cable. The products sold into enterprise, Industrial, digital signage, medical, residential, education and VR markets
- 2) Automotive: Valens Automotive delivers safe & resilient high-speed in-vehicle connectivity for advanced car architectures, realizing the vision of connected and autonomous cars.

**t. Net income (loss) per Ordinary Share**

Net income (loss) per Ordinary Share is computed by adjusting net income (loss) by the amount of dividends on redeemable convertible preferred shares, if applicable.

Basic net income (loss) per Ordinary Share is computed by dividing net income (loss) by the weighted-average number of Ordinary Shares outstanding during the year. Diluted net income (loss) per Ordinary Share is computed by dividing net income (loss) by the weighted-average number of Ordinary Shares outstanding during the period, while giving effect to all potentially dilutive Ordinary Shares to the extent they are dilutive. Net income (loss) per Ordinary Share is calculated and reported under the "two-class" method. For periods where there is a net loss, no loss is allocated to participating securities (redeemable convertible Preferred Shares and Forfeiture Shares) because they have no contractual obligation to share in the losses. Net income (loss) per Ordinary Share calculations for all periods presented have been retrospectively adjusted to reflect the Reverse Stock Split, as discussed in Note 1(d).

**VALENS SEMICONDUCTOR LTD.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued):

The Ordinary Shares issued as a result of the Redeemable Convertible Preferred Shares conversion on the Closing Date were included in the basic net loss per share calculation on a prospective basis.

**u. Stock-based compensation**

The Company accounts for share-based compensation in accordance with ASC 718-10. Under ASC 718-10, stock-based awards, including stock options and Restricted Share Units (“RSUs”), are recorded at fair value as of the grant date and recognized to expense over the employee’s, directors and consultants’ requisite service period (generally the vesting period) which the Company has elected to amortize on a straight-line basis. ASC 718-10 also requires forfeitures to be estimated at the time of grant and revised if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company uses historical data to estimate pre-vesting option forfeitures.

- 1) With respect to stock options, the Company uses the Black-Scholes option-pricing model to determine the fair value of stock options. The determination of the fair value of stock-based payment awards on the date of grant using an option-pricing model is affected by the Company’s stock price as well as assumptions regarding number of complex and subjective variables. These variables include the estimated stock price volatility over the term of the awards; actual and projected employee stock option exercise behaviors, which is referred to as expected term; risk-free interest rate and expected dividends.

The expected term is calculated using the simplified method, as the Company has concluded that its historical share option exercise experience does not provide a reasonable basis to estimate the expected option term. The Company estimates the volatility of its common stock by using the volatility rates of its peer companies. The Company bases the risk-free interest rate used in its option-pricing models on U.S. Treasury zero-coupon issues with remaining terms similar to the expected term to maturity of its equity awards. The Company does not anticipate paying any cash dividends in the foreseeable future and therefore uses an expected dividend yield of zero in its option-pricing models.

- 2) With respect to RSUs, the Company uses the stock market price as of the grant date to determine the fair value of such RSUs.

**v. Redeemable Convertible Preferred Shares**

When the Company issued preferred shares, it considered the provisions of ASC 480 in order to determine whether the preferred share should be classified as a liability. If the instrument was not within the scope of ASC 480, the Company further analyzed the instrument’s characteristics in order to determine whether it should be classified within temporary equity (mezzanine) or within permanent equity in accordance with the provisions of ASC 480-10-S99. The Company’s redeemable convertible preferred shares were not mandatorily or redeemable at any of the balance sheet dates prior to becoming a public company. However, the Company’s Article of Association at the time such preferred shares were issued, defined that with respect to certain liquidation or deemed liquidation events that would constitute a redemption event the resolution to approve such event is outside of the Company’s control. As such, all shares of redeemable convertible preferred shares were presented outside of permanent equity. The Company has not adjusted the carrying values of the redeemable convertible preferred shares to the deemed liquidation values of such shares since a liquidation event was not probable at any of the balance sheet dates prior to becoming a public company. The Redeemable Convertible Preferred Shares were converted into Ordinary Shares in the framework of the recapitalization transaction as described in note 1 (d).

**VALENS SEMICONDUCTOR LTD.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued):

**w. Concentrations of credit risk**

Financial instruments that subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents, investments in short-term deposits and trade accounts receivable. As of December 31, 2021 and 2020, the Company had cash and cash equivalents totaling \$56,791 thousand and \$26,316 thousand, respectively, as well as short-term deposits of \$117,568 thousand and \$35,254 thousand as of December 31, 2021 and 2020, respectively, which are deposited in major Israeli, U.S. Japanese, German and Chinese financial institutions. The Company's management believes that these financial institutions are financially sound.

The Company extends different levels of credit to customers and does not require collateral deposits. As of December 31, 2021, and 2020, the Company did not have allowances for doubtful accounts.

**x. Income tax**

The Company accounts for income taxes using the asset and liability approach, which requires the recognition of taxes payable or refundable for the current year and the deferred tax liabilities and assets for the future tax consequences of events that we have recognized in our financial statements or tax returns. The Company measures current and deferred tax liabilities and assets based on provisions of the relevant tax law. The Company records a valuation allowance to reduce its deferred tax assets to the net amount that the Company believes is more likely than not to be realized. The Company considers all available evidence, both positive and negative, including historical levels of income, expectations and risks associated with estimates of future taxable income, and ongoing tax planning strategies in assessing the need for a valuation allowance. The Company classifies interest and penalties relating to uncertain tax positions within income taxes.

**y. Forfeiture shares**

Shares issued to PTK's sponsor that are subject to forfeiture ("Forfeiture Shares") are evaluated as equity-linked contracts rather than as outstanding shares. In accordance with ASC 815-40, the Forfeiture Shares are not solely indexed to the Company's Ordinary Shares and therefore were accounted for as a liability on the consolidated balance sheet at the Closing Date. This liability is subject to re-measurement at each balance sheet date until the contingency settlement, and any change in fair value is recognized in the Company's statement of operations.

**z. Public and Private Warrants**

The Company accounts for the warrants in accordance with the guidance contained in Accounting Standards Codification 815 ("ASC 815"), "Derivatives and Hedging". Accordingly, both the Public and the Private Warrants are considered indexed to the entity's own stock and are classified within equity.



VALENS SEMICONDUCTOR LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

aa. New Accounting Pronouncements

**Recently issued accounting pronouncements, not yet adopted:**

In February 2016, the FASB issued ASU No. 2016-02, Leases (“ASC 842”), on the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for in a manner similar to the accounting under existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. ASC 842 provides a number of optional practical expedients in transition, which permits the Company not to reassess its prior conclusions regarding lease identification, lease classification and initial direct costs under the new standard.

The guidance is effective for the Company for annual periods beginning after December 15, 2021 and interim periods within annual periods beginning after December 15, 2022. The Company will adopt the requirements of ASC 842 on January 1, 2022, using the modified retrospective approach, at the effective date, without adjusting the comparative periods. The Company elected to utilize the available package of practical expedients permitted under the transition guidance within ASC 842 which does not require it to reassess the prior conclusions about lease identification, lease classification and initial direct costs. In addition, the new standard also provides practical expedients for an entity’s ongoing accounting. The Company elected the short-term lease recognition exemption for all leases with a term shorter than 12 months. This means that for those leases, the Company does not recognize ROU assets or lease liabilities, including ROU assets or lease liabilities for existing short-term leases of assets in transition, but recognizes lease expenses over the lease term on a straight-line basis. The Company also elected the practical expedient to not separate lease and non-lease components for all of the Company’s leases.

The Company currently expects to recognize on January 1, 2022 operating lease liabilities of approximately \$5 million, with corresponding ROU assets.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses (“ASC 326”): Measurement of Credit Losses on Financial Instruments to introduce a new model for recognizing credit losses on financial instruments based on estimated current expected credit losses, or CECL. Under the new standard, an entity is required to estimate CECL on trade receivables at inception, based on historical information, current conditions, and reasonable and supportable forecasts. ASU No. 2016-13 is effective for the Company for the annual period beginning after December 15, 2022, including interim periods within that reporting period. The Company is currently evaluating the impact of adoption of the new standard on its consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (“Topic 740”): Simplifying the Accounting for Income Taxes, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU No. 2019-12 is effective for the Company for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The adoption of this guidance will not have a significant impact on the Company’s consolidated financial statements.

## VALENS SEMICONDUCTOR LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## NOTE 3 – INVENTORIES:

	December 31	
	2021	2020
	U.S. dollars in thousands	
Work in process	4,718	1,400
Finished goods	4,604	1,759
	<u>9,322</u>	<u>3,159</u>

Inventories write-downs totaled to \$0 thousand, \$73 thousand and \$170 thousand during the years ended December 31, 2021, 2020 and 2019, respectively.

## NOTE 4 - PROPERTY AND EQUIPMENT, NET:

	December 31	
	2021	2020
	U.S. dollars in thousands	
<b>Cost:</b>		
Electronic and laboratory equipment	4,045	3,779
Furniture and office equipment	407	404
Leasehold improvements	657	427
Production equipment	308	181
Computers and software	2,697	1,836
	<u>8,114</u>	<u>6,627</u>
<b>Less: accumulated depreciation</b>	<u>(5,373)</u>	<u>(4,274)</u>
<b>Property and equipment, net</b>	<u>2,741</u>	<u>2,353</u>

Depreciation expenses were \$1,099 thousand, \$1,093 thousand and \$1,038 thousand for the years ended December 31, 2021, 2020 and 2019, respectively. During the years ended December 31, 2021, 2020 and 2019, there were no impairments of property and equipment.

## NOTE 5 - OTHER CURRENT LIABILITIES:

	December 31	
	2021	2020
	U.S. dollars in thousands	
Accrued vacation	3,464	2,989
Taxes payable	40	37
Accrued expenses- related party	142	—
Accrued expenses - other	2,977	2,401
	<u>6,623</u>	<u>5,427</u>

**VALENS SEMICONDUCTOR LTD.**

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

**NOTE 6 - COMMITMENTS AND CONTINGENT LIABILITIES:****a. Lease agreements:****Vehicles:**

The Company rents motor vehicles for use by some of its employees under operating lease agreements with lease terms of three years. As collateral for the cars' lease agreements, the Company pays in advance the fee for the last month under the lease agreement.

**Offices:**

The Company's corporate headquarters are located in Hod Hasharon, Israel, consisting of approximately 5,500 square meters of facility space under lease that expires in February 2023. This facility accommodates the Company's principal operations, including sales, marketing, research and development, finance, and administration activities.

Valens and its subsidiaries have entered into various operating leases for office buildings and research and development facilities in their respective territories.

On July 21, 2015, the Company signed an extension of the lease agreement for its office space in Hod Hasharon, Israel that was due to expire in February 2021. On August 9, 2020, the Company signed an amendment to the lease agreement, regarding 5,500 square meters. According to that amendment, the lease term started on March 1, 2021 and will last through February 28, 2023. This amendment also provides the Company with an option to extend the lease period by additional two years until February 28, 2025. As of December 31, 2021 and 2020, the rented space of the Company's offices in Israel is 5,500 square meters and 6,295 respectively

Long-term lease deposits that are recorded within other assets totaled to \$433 thousand and \$336 thousand as of December 31, 2021 and 2020, respectively.

As of December 31, 2021, the minimum future rental payments applicable to non-cancelable operating leases are as follows:

	U.S. dollars in thousands
2022	1,821
2023	348
2024	30
<b>Total</b>	<b>2,199</b>

The table above does not include future rental payments of future extension periods of 10 thousand, 1,457 thousand, 1,689 thousand and 281 thousand for the years ended on December 31, 2022, 2023, 2024 and 2025.

Operating lease expenses for the years ended December 31, 2021, 2020 and 2019 were \$2,670 thousand, \$2,527 thousand and \$2,368 thousand, respectively.

**b. Royalties:**

In addition to its own intellectual property, the Company also embeds certain off the shelf technologies (Intellectual Property ("IP")) licensed from third parties in its chip technology. These are typically non-exclusive contracts provided under royalty-accruing and/or paid-up licenses. Once deployed in the Company's products, such licenses for commercial use are generally perpetual.

Royalty arrangements with certain vendors are vary between 1%-3.5% of net revenues per chip plus additional royalties of up to \$0.1 per chip.

**VALENS SEMICONDUCTOR LTD.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

**NOTE 6 - COMMITMENTS AND CONTINGENT LIABILITIES** (continued):

The royalties' expenses totaled to \$844 thousand, \$711 thousand and \$389 thousand for the years ended December 31, 2021, 2020 and 2019, respectively. The royalties were recorded as part of cost of revenues.

**c. The Israel Innovation Authority (formerly known as “Office Of Chief Scientist”)**

In previous years, the Company received grants from the Israel Innovation authority (“IIA”) for participation in research and development costs of the Company's. The IIA grants were recognized when grants were received and presented as a deduction from research and development expenses.

As of December 31, 2019, the Company repaid the IIA all its liability for the received grant. A repayment in an amount of \$2,028 thousand was included in the Company's research and development expenses for 2019.

While the Company has no outstanding obligation to the IIA, the Company is still subject to the provisions of the Research and Development law in Israel.

**d. Noncancelable Purchase Obligations**

The Company depends upon third party subcontractors for manufacturing of wafers, packaging and final tests. As of December 31, 2021, and 2020, the total value of open purchase orders for such manufacturing contractors was approximately \$50,591 thousand and \$12,417 thousand, respectively.

The Company has noncancelable purchase agreements for certain IP embedded in the Company products as well as certain agreement for the license of development tools used by the development team. As of December 31, 2021, and 2020, the total value of non-paid amounts related to such agreements totaled \$6,563 thousand and \$3,614 thousand, respectively.

**e. Legal proceedings**

As of December 31, 2021, and 2020, the Company is not a party to, or subject to the provisions of any order, writ, injunction, judgment or decree of any court or governmental agency or instrumentality. There is no material action, suit, proceeding or investigation by the Company currently pending or that the Company intends to initiate.

**f. Indemnifications**

In the ordinary course of business, the Company may provide indemnifications of varying scope and terms to customers, vendors, lessors, investors, directors, officers, employees and other parties with respect to certain matters, including, but not limited to, losses arising out of the Company's breach of such agreements, services to be provided by the Company, or from intellectual property infringement claims made by third-parties. These indemnifications (especially with respect to confidentiality with third party related to IP) may survive termination of the underlying agreement and the maximum potential amount of future payments the Company could be required to make under these indemnification provisions may not be subject to maximum loss clauses. The Company has not incurred costs to defend lawsuits or settle claims related to these indemnifications. As of December 31, 2021, and 2020 the Company has no liabilities recorded for these agreements.

**VALENS SEMICONDUCTOR LTD.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

**NOTE 7 - WARRANTS LIABILITY:**

- a. On February 16, 2011, following a loan agreement signed between the Company and a third party, the Company granted to the lender warrants to purchase 161,808 Series B-1 Preferred Shares of NIS 0.01 par value at a price per preferred share of \$0.40171. The warrants may be exercised upon the earlier of (i) February 16, 2021; (ii) upon a Liquidation Event (as defined); or (iii) the fifth annual anniversary following the closing of an IPO. On February 16, 2021, 161,808 Series B-1 Preferred Shares warrants were exercised into 145,195 Series B-1 Preferred Shares on a cashless basis. These Series B-1 Preferred Shares were converted to Ordinary Shares as part of the Recapitalization, see also note 1(d).

The Preferred B-1 warrants were classified as liabilities in accordance with ASC 480-10-35-5, as they were considered freestanding financial instruments, exercisable into Series B-1 preferred shares, which were redeemable upon certain events that represent “Deemed Liquidation Events” (see also Note 1(g)). Accordingly, until their exercise, the Preferred B-1 warrants were measured at fair value each reporting period, and changes in their fair value were recognized in the consolidated statement of operations as part of financial income, net.

The fair value of the warrants was computed using the following key assumptions:

	<u>2020</u>	<u>2019</u>
Stock price	3.97	3.2128
Exercise price	0.40171	0.40171
Expected term (years)	0.13	1.13
Expected volatility	48.15%	45.85%
Risk-free interest rate	0.1%-0.17%	1.59%
Expected dividend rate	0%	0%

- b. The table below sets forth a summary of the changes in the fair value of the warrants liability classified as Level 3:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	<u>U.S. dollars in thousands</u>		
Balance at beginning of year	568	459	459
Exercise of warrants	(568)	—	—
Changes in fair value	—	109	—
Balance at end of year	<u>—</u>	<u>568</u>	<u>459</u>

**NOTE 8 - FORFEITURE SHARES**

- a. On the Closing Date, 1,006,250 Ordinary Shares that PTK sponsor received in respect of its PTK common stock, are subject to forfeiture if certain price targets for the Valens Ordinary Shares are not achieved within a certain period of time (of up to four years), after the Closing Date or if an M&A Transaction (as defined in the Merger Agreement Closing), does not occur at a certain minimum price.

The Company performed a Monte-Carlo simulation to calculate the fair value. As of the Closing Date, the fair value was \$4,485 using the following assumptions: stock price of \$7.4, expected term of 3-4 years, expected volatility of 47.74%-50.31% and risk-free interest rate of return of 0.53%-0.76%.

The fair value of the Forfeiture Shares was computed using the following key assumptions:

	<u>December 31,</u> <u>2021</u>
Stock price	7.7
Expected term (years)	2.75-3.75
Expected volatility	48.77%-48.92%
Risk-free interest rate	0.91%-1.08%

## VALENS SEMICONDUCTOR LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

**NOTE 8 - FORFEITURE SHARES** (continued):

- b. The table below sets forth a summary of the changes in the fair value of the Forfeiture Shares classified as Level 3:

	<u>2021</u>	<u>2020</u>
	U.S. dollars in thousands	
Balance at beginning of year	—	—
Issuance of Forfeiture Shares	4,485	—
Changes in fair value	173	—
Balance at end of year	<u>4,658</u>	<u>—</u>

**NOTE 9 - REDEEMABLE CONVERTIBLE PREFERRED SHARES:**

Rights of redeemable convertible preferred shares:

	Aggregate Liquidation Preference	
	<u>2021</u>	<u>2020</u>
	U.S. dollars in thousands	
Series A	—	34,609
Series B-1	—	7,613
Series B-2	—	19,029
Series C	—	27,586
Series D	—	77,806
Series E	—	52,394
Total convertible preferred shares	<u>—</u>	<u>219,037</u>

With respect to the conversion of redeemable convertible preferred shares, please refer to note 1(d) – Recapitalization.

As of the December 31, 2020 the Company had issued Ordinary Shares and six classes of Preferred Shares. The rights, preferences and privileges with respect to the Preferred Shares are stipulated in the Company’s Articles of Association (“AoA”) and a summary of significant provisions are as follows:

- a. **Conversion and conversion price adjustment:** Each holder of Preferred Shares has the right to convert any or all of its Preferred Shares into Ordinary Shares at any time, at the Conversion Price (as defined below) applicable to such Preferred Shares at the time of conversion, without the payment of additional consideration by such holder. The Conversion Price of a Preferred Share is the Original Issue Price thereof, and thereafter the respective conversion price and consequent conversion rate of any Preferred Share are subject to adjustment from time to time. As of December 31, 2020, and 2019 the conversion rate of all the preferred shares into Ordinary Shares was 1.

“Conversion Price” as of the time of creation of any series or class of Preferred Shares, the conversion price per share for each share of such series of Preferred Share shall initially be the Original Issue Price thereof (subject to customary adjustments).

- b. **Mandatory Conversion:** The Preferred Shares shall automatically be converted into Ordinary Shares, at the then applicable Conversion Price with respect to each series of Preferred Shares upon the earlier of: i) immediately prior to the consummation of a Qualified IPO (as defined below) , (ii) the date specified by vote or written consent of the holders of at least sixty five percent (65%) of the voting power underlying the then outstanding Preferred Shares on an As-Converted Basis (voting together as a single class

VALENS SEMICONDUCTOR LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

**NOTE 9 - REDEEMABLE CONVERTIBLE PREFERRED SHARES** (continued):

or by consent of such required majority), including the Series D Consent and the Series E Consent, and (iii) immediately prior to the consummation of an IPO (as defined below) (that does not constitute a Qualified IPO) on the New York Stock Exchange, NASDAQ, London Stock Exchange or the main list in the Hong Kong Stock Exchange, effected with the consent (by vote or written consent) of the holders of at least seventy percent (70%) of the voting power underlying the then outstanding Series D Preferred Shares on an As-Converted Basis (voting together as a single class or by consent of such required majority) and the holders of at least fifty percent (50%) of the voting power underlying the then outstanding Series D Preferred Shares and Series E Preferred Shares on an As-Converted Basis (voting together as a single class or by consent of such required majority).

“Qualified IPO” means the closing of the sale of Ordinary Shares in an initial firm-commitment underwritten public offering with net proceeds to the Company of at least \$100 Million.

“IPO” means the closing of the sale of Ordinary Shares in an initial firm-commitment underwritten public offering, pursuant to applicable securities law(s) and regulations, covering the offer and sale of Ordinary Shares to the public.

- c. **Anti-Dilution Protection:** in each case of a Dilutive Issuance, the Conversion Price then in effect for the Preferred Shares shall be reduced, concurrently with such issue or sale, for no additional consideration, to a price determined by multiplying such Conversion Price by a fraction (i) the numerator of which shall be the number of Ordinary Shares outstanding immediately prior to such Dilutive Issuance, plus the number of Ordinary Shares which the aggregate consideration received by the Company for the total number of Additional Shares so issued would purchase at such Conversion Price in effect immediately prior to such Dilutive Issuance, and (ii) the denominator of which shall be the number of Ordinary Shares outstanding immediately prior to such Dilutive Issuance, plus the number of Additional Shares so issued.

“Additional Shares” means all Equity Securities issued by the Company following its Series E Preferred financing round (excluding customary exclusions).

“Equity Securities” means any Ordinary Shares, Preferred Shares, any securities evidencing an ownership interest in the Company, or any securities (including, inter alia, options, warrants, convertible securities, convertible debentures, bonds or capital notes) convertible, exchangeable or exercisable into any of the aforesaid securities, any agreement, undertaking, instrument or certificates conferring a right to acquire any Ordinary Shares, Preferred Shares or any other securities of the Company.

d. **Special Adjustment for Conversion Price upon an Initial Public Offering:**

- 1) If the IPO closing price, is less than 1.2 times the then applicable Conversion Price of the Preferred C Shares, then, immediately prior to closing of such initial public offering (and, for the avoidance of doubt, prior to the conversion of the Preferred C Shares into Ordinary Shares) the then applicable Conversion Price of the Preferred C Shares shall be automatically reduced so as to be equal to the IPO Closing Price divided by 1.2.
- 2) If the IPO closing price, is less than 1.2 times the then applicable Conversion Price of the Series D Preferred Shares, then, immediately prior to closing of such initial public offering (and, for the avoidance of doubt, prior to the conversion of the Series D Preferred Shares into Ordinary Shares) the then applicable Conversion Price of the Series D Preferred Shares shall be automatically reduced so as to be equal to the IPO closing price divided by 1.2.
- 3) If the IPO closing price, is less than 1.5 times the then applicable Conversion Price of the Series E Preferred Shares, then, immediately prior to closing of such initial public offering (and, for the avoidance of doubt, prior to the conversion of the Series E Preferred Shares into Ordinary Shares) the then applicable Conversion Price of the Series E Preferred Shares shall be automatically reduced so as to be equal to the IPO closing price divided by 1.5.

VALENS SEMICONDUCTOR LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

**NOTE 9 - REDEEMABLE CONVERTIBLE PREFERRED SHARES** (continued):

**e. Dividend Preference:**

Upon declaration of dividend by the Company's Board of directors, the holders of the Preferred Shares shall be entitled to cumulative dividends as of their applicable issuance at an annual rate of 7% of the applicable Original Issue Price (compounded annually) since the issuance of each series Preferred Shares, prior to and in preference to the holders of the Ordinary Shares and any preceding Series of Preferred Shares, see also note f below. To date, no dividends have been declared.

Cumulative dividends in arrears as of December 31, 2020, for all the preferred shares are, \$64,578 thousand.

**f. Liquidation Preference:** in any Liquidation Event (as defined below) the Distributable Assets shall be distributed to the Redeemable convertible preferred shares according to their preference, in each case, minus the sum of the aggregate amount of all Distributable Assets (e.g. dividends) previously paid in respect of any such Series of Preferred Shares.

After payment has been made to the holders of the Series E Preferred Shares, Series D Preferred Shares, the Preferred C Shares, Preferred B Shares and Series A Preferred Shares of the full Preferential Amount, the holders of Preferred Shares and Ordinary Shares shall be entitled to receive any remaining Distributable Assets, if any, on a pro rata basis based upon the number of Ordinary Shares and Ordinary Shares into which such Preferred Shares could be converted into at the time of distribution until with respect to holders of the Preferred Shares, such holders have received an aggregate of three (3) times the applicable Original Issue Price of the Preferred Shares held thereby (including any paid Preferential Amounts); Thereafter, any remaining Distributable Assets shall be distributed to the holders of Ordinary Shares, pro rata based on the number of Ordinary Shares held by each.

"Liquidation Event" means (i) any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary; (ii) any Acquisition or (iii) Asset Transfer. For the purposes of this note, "Acquisition" shall mean (A) any consolidation, merger or reorganization of the Company with or into any other corporation or other entity or person, or any other corporate reorganization, in which the shareholders of the Company immediately prior to such consolidation, merger or reorganization, own less than 50% of the voting power of the surviving entity (or in the event stock or ownership interests of an affiliated entity are issued in such transaction, less than 50% of the voting power of such affiliated entity) immediately after such consolidation, merger or reorganization; or (B) any transaction or series of related transactions to which the Company is a party in which in excess of 50% of the Company's outstanding voting power is transferred (e.g. by way of the sale of all or substantially all of the Company's share capital); and "Asset Transfer" means the sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by the Company or any subsidiary of the Company of all or substantially all the assets of the Company and its subsidiaries taken as a whole, or the sale or disposition (whether by merger or otherwise) of one or more subsidiaries of the Company if substantially all of the assets of the Company and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries, except where such sale, lease, transfer, exclusive license or other disposition is to a wholly owned subsidiary of the Company.

With respect to the conversion of redeemable convertible preferred shares, please refer to note 1(d) – Recapitalization.



**VALENS SEMICONDUCTOR LTD.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

**NOTE 10 - SHAREHOLDERS EQUITY**

- a. Ordinary Shares confer to holders the right to receive notice to participate and vote in the general meetings of the Company, to appoint directors and the right to receive dividends if declared.
- b. Warrants: Following the Merger Agreement Closing, each warrant of PTK entitled the holder to purchase one-half share of PTK common stock per warrant at a price of \$11.50 per whole share (each, a “PTK warrant”), outstanding immediately prior to the Closing Date was assumed by Valens and became a Valens warrant entitling the holder to purchase one-half share of Valens Ordinary Shares, with the number of Valens Ordinary Shares underlying the Valens warrants.

Public Warrants: Each of the 11,500,000 public warrants entitles its holder to purchase one half (1/2) Valens Ordinary Share (i.e. exercisable in total to 5,750,000 Ordinary Shares), at a price of \$11.50 per one share, at any time commencing on the Closing Date. Under certain conditions, Valens may call the outstanding public warrants for redemption, in whole and not in part, at a price of \$0.01 per warrant, but only if: (i) the reported last sale price of the Valens ordinary shares equals or exceeds \$18.00 per share for any 20 trading days within a 30-day trading period; and (ii) there is a current registration statement in effect covering the Valens ordinary shares underlying such warrants. If Valens calls the warrants for redemption as described above, Valens will have the option to require all holders that wish to exercise warrants to do so on a “cashless basis”. The exercise price and number of Valens Ordinary Shares issuable on exercise of the warrants may be adjusted in certain circumstances including in the event of a share dividend, extraordinary dividend or a recapitalization, reorganization, merger or consolidation. The warrants will expire on September 29, 2026.

Private Warrants: Each of the 6,660,000 Private Warrants will not be redeemable by Valens, regardless of the holder’s identity. The holders have the option to exercise the Private Warrants on a cashless basis at any time into Valens ordinary shares. Except as described above, the Private Warrants have terms and provisions that are identical to those of the Public Warrants, including as to exercise price, exercisability and exercise period.

Both the Public Warrants and Private Warrants, are publicly-traded as of the Closing Date.

**NOTE 11 - STOCK-BASED COMPENSATION:**

In September 2021, the Company adopted the “Valens Semiconductor Ltd. 2021 Share Incentive Plan”.

The Company’s stock options and Restricted Stock Units (RSUs) have a term of up to 10 years from grant date unless extended by the Board of Directors. Options and RSUs generally vest as follows: 25% on the first anniversary from the “Vesting Start Date” as defined in the grant agreement and remainder vest ratably over the following 12 quarters.

During 2021, the Company added 8,370,000 Ordinary Shares to the Ordinary Shares pool reserved for issuance (2,318,860 in 2020). As of December 31, 2021, and 2020, the number of ordinary shares included in the Company’s stock incentive plans totaled to 28,383,788 and 20,013,788, respectively.

**Stock Options**

On September 30, 2021 the vesting of 814,272 options of one of the Company’s executives were accelerated. The Company expensed \$3,396 thousand in the general and administrative expenses due to such vesting acceleration.

VALENS SEMICONDUCTOR LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 11 - STOCK-BASED COMPENSATION (continued):

The following is a summary of the status of the Company's share option plan as of December 31, 2021, as well as changes during the years:

	December 31, 2021	
	Number of Options	Weighted- Average Exercise price
Options outstanding at the beginning of the year	15,955,892	\$ 0.71
Granted during the year	1,662,897	\$ 0.90
Exercised during the year	(1,722,880)	\$ 0.72
Forfeited during the year	(446,396)	\$ 0.84
Outstanding at the end of the year	<u>15,449,513</u>	<u>\$ 0.73</u>
Options exercisable at year-end	<u>11,449,733</u>	\$ 0.68

The following table summarizes information about share options outstanding as of December 31, 2021:

Range of exercise prices	Outstanding as of December 31, 2021				Exercisable as of December 31, 2021				
	Number outstanding	Weighted average remaining contractual term	Weighted average exercise price	Aggregate intrinsic value (U.S. dollars in thousands)	Number Exercisable	Weighted average remaining contractual term	Weighted Average exercise price	Aggregate intrinsic value (U.S. dollars in thousands)	
\$0.15-\$0.86	15,403,350	6.12	\$ 0.72	107,517	11,416,017	5.29	\$ 0.67	80,243	
\$1.87	5,963	9.03	\$ 1.87	35	—	—	—	—	
\$2.10	33,126	2.69	\$ 2.10	186	33,126	2.69	\$ 2.10	186	
\$9.07	7,074	9.95	\$ 9.07	—	590	9.95	\$ 9.07	—	

The following assumptions were used for options granted during the year in order to estimate the fair value of stock-based compensation awards:

	2021	2020
	Expected term	6-10
Expected volatility	46.71%-50.7%	48.15%
Expected dividend rate	0%	0%
Risk-free rate	0.61%-1.74%	0.42%-1.69%

During 2021, 2020 and 2019, 321,777, 3,347,705 and 1,003,185 options respectively, were granted to several related parties (please refer to Note 16 regarding Related Parties).

As of December 31, 2021, the unrecognized compensation costs related to unvested stock options totaled to \$13,853 thousand, which are expected to be expensed over a weighted-average period of 2.7 years.

2,300,980 out of the outstanding options that have not yet vested as of December 31, 2021, have acceleration mechanisms according to certain terms set forth in the grant agreements primarily in the case of a M&A Transaction which constitutes a Liquidation Event (as defined in Note 9).

The unrecognized compensation costs related to those unvested stock options are \$7,281 thousand, which are expected to be recognized over a weighted-average period of 2.3 years.

VALENS SEMICONDUCTOR LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

**NOTE 11 - STOCK-BASED COMPENSATION** (continued):

The following table presents the classification of the stock options expenses for the periods indicated:

	<b>Year Ended December 31</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<b>U.S. dollars in thousands</b>		
Cost of revenue	158	178	180
Research and development	1,684	1,267	1,266
Selling, general and administrative	7,981	3,884	1,418
<b>Total stock-based compensation -Stock Options</b>	<b>9,823</b>	<b>5,329</b>	<b>2,864</b>

**Restricted Stock Units**

The following is a summary of the status of the Company's RSU's as of December 31, 2021, as well as changes during the year:

	<b>December 31, 2021</b>	
	<b>Number of RSUs</b>	<b>Weighted-Average Grant Date Fair Value</b>
RSUs outstanding at the beginning of the year	—	—
Granted during the year	133,384	\$7.89
Exercised during the year	—	—
Forfeited during the year	—	—
Outstanding at the end of the year	133,384	\$7.89
RSUs exercisable at year-end	616	\$7.89

<b>Outstanding as of December 31, 2021</b>					<b>Exercisable as of December 31, 2021</b>			
<b>Range of exercise prices</b>	<b>Number outstanding</b>	<b>Weighted average remaining contractual term</b>	<b>Weighted average exercise price</b>	<b>Aggregate intrinsic value (U.S. dollars in thousands)</b>	<b>Number Exercisable</b>	<b>Weighted average remaining contractual term</b>	<b>Weighted Average exercise price</b>	<b>Aggregate intrinsic value (U.S. dollars in thousands)</b>
\$ 7.89	133,384	9.96	\$ 7.89	\$ 76	616	9.96	\$ 7.89	(*)

(\*) Less than \$1 thousand

As of December 31, 2021, the unrecognized compensation cost related to unvested RSUs totaled to approximately \$914 thousand and is expected to be expensed over a weighted-average recognition period of approximately 3.8 years.

During 2021, 2020 and 2019, 7,398, 0 and 0 RSU's respectively, were granted to several related parties (please refer to Note 17 regarding Related Parties).

The following table presents the classification of RSU's expenses for the periods indicated:

	<b>Year Ended December 31</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<b>U.S. dollars in thousands</b>		
Cost of revenue	6	—	—
Research and development	22	—	—
Selling, general and administrative	18	—	—
<b>Total stock-based compensation-RSUs</b>	<b>46</b>	<b>—</b>	<b>—</b>

## VALENS SEMICONDUCTOR LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## NOTE 12 - FINANCIAL INCOME, NET:

	Year Ended December 31		
	2021	2020	2019
	U.S. dollars in thousands		
Foreign currency exchange differences	1,295	2,592	378
Issuance costs attributed to Forfeiture Shares	(473)	—	—
Interest income	311	849	2,174
Change in fair value of Warrants liability	—	(109)	—
Change in fair value of Forfeiture shares	(173)	—	—
Other	(31)	(32)	(109)
<b>Total financial income, net</b>	<b>929</b>	<b>3,300</b>	<b>2,443</b>

## NOTE 13 - NET INCOME (LOSS) PER ORDINARY SHARE:

The following table sets forth the computation of basic and diluted net income (loss) per ordinary share for the periods indicated. Net income (loss) per ordinary share calculations for all periods presented have been retrospectively adjusted to reflect the Reverse Stock Split, as discussed in Note 1(d).

	Year Ended December 31		
	2021(*)	2020	2019
	U.S. dollars in thousands		
<b>Basic net loss per Ordinary Share</b>			
Numerator:			
Net loss from continuing operations	(26,534)	(19,635)	(25,934)
Dividend on Series E Redeemable Preferred	(2,710)	(3,428)	(3,203)
Dividend on Series D Redeemable Preferred	(4,023)	(5,090)	(4,757)
Dividend on Series C Redeemable Preferred	(1,426)	(1,805)	(1,687)
Dividend on Series B-2 Redeemable Preferred	(985)	(1,245)	(1,163)
Dividend on Series B-1 Redeemable Preferred	(394)	(498)	(465)
Dividend on Series A Redeemable Preferred	(1,792)	(2,264)	(2,116)
Numerator for basic and diluted net loss per common share net loss attributable to common stockholders	(37,864)	(33,965)	(39,325)
Denominator:			
Denominator for basic and dilutive net loss per common share- adjusted weighted-average share	33,031,205	10,448,218	9,522,608
Basic and dilutive net loss per common share	(1.15)	(3.25)	(4.13)

(\*) Dividend on Redeemable Preferred Shared referred to the period that started on January 1, 2021 and ended on September 29, 2021 (Recapitalization Closing Date, refer to note 1(d)).

**VALENS SEMICONDUCTOR LTD.**

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

**NOTE 13 - NET INCOME (LOSS) PER ORDINARY SHARE** (continued):

The following weighted-average Ordinary Shares of securities were not included in the computation of diluted net income (loss) per common share as their effect would have been antidilutive:

	2021	2020	2019
Options	16,028,893	15,257,902	14,157,546
Warrants liability	41,351	161,808	161,808
Private Warrants	1,683,500	—	—
Public Warrants	2,906,944	—	—
Forfeiture Shares	508,715	—	—
Redeemable Convertible Preferred A shares	24,584,645	32,901,384	32,901,384
Redeemable Convertible Preferred B-1 shares	7,524,342	9,957,400	9,957,400
Redeemable Convertible Preferred B-2 shares	13,950,841	18,670,270	18,670,270
Redeemable Convertible Preferred C shares	7,042,522	9,424,938	9,424,938
Redeemable Convertible Preferred D shares	14,431,585	19,313,646	19,313,646
Redeemable Convertible Preferred E shares	8,279,726	11,080,674	11,080,674

The number of Redeemable Convertible Preferred Shares and warrants liability have not been retrospectively adjusted in these consolidated financial statements as a result of the conversion to Ordinary Shares occurring simultaneously with the Reverse Stock Split.

**NOTE 14 - INCOME TAXES:****a. Basis of taxation**

Current tax is calculated with reference to the profit of the Company and its subsidiaries in their respective countries of operation. Set out below are details in respect of the significant jurisdictions where the Company and its subsidiaries operate and the factors that influenced the current and deferred taxation in those jurisdictions:

**Israel**

Valens is taxed under the laws of the State of Israel at a corporate tax rate of 23%. In 2021, 2020 and 2019, Valens is at a losses position and therefore has no corporate tax liability.

As of December 31, 2021, 2020 and 2019, Valens has a carry forward loss of approximately \$88 million, \$85 million and \$65 million, respectively. Such carry forward loss has no expiration date.

**United States**

The principal federal tax rate applicable to the U.S. subsidiaries is 21%.

With respect to Valens Semiconductor Inc., is also subject to state taxes at the following rates: 8.84% in California and 0.75% in Texas.

As of December 31, 2021, Valens Merger Sub, Inc. (formerly PTK) has a carry forward loss of approximately \$5 million and is subject to state taxes at a rate of 8.84% in California. Such carry forward loss is subject to the 382 limitation and has no expiration date.

**Japan**

The effective principal corporate tax rate applicable to the Japanese subsidiary is 36%.

**Germany**

The effective principal corporate tax rate applicable to the German subsidiary is 30%.

**China**

The effective principal corporate tax rate applicable to the Chinese subsidiary for is 5%.

## VALENS SEMICONDUCTOR LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## NOTE 14 - INCOME TAXES (continued):

b. **Income (loss) Before Income Taxes:**

Income (loss) before income taxes consisted of the following for the periods indicated:

	Year Ended December 31		
	2021	2020	2019
	U.S. dollars in thousands		
Domestic (Israel)	(26,549)	(19,935)	(26,083)
Foreign	412	447	542
<b>Loss before income taxes</b>	<b>(26,137)</b>	<b>(19,488)</b>	<b>(25,541)</b>

c. **Income tax expenses consisted of the following for the periods indicated:**

	Year Ended December 31		
	2021	2020	2019
	U.S. dollars in thousands		
Domestic (Israel)	306	97	281
Foreign	101	67	133
<b>Income tax expenses</b>	<b>407</b>	<b>164</b>	<b>414</b>

d. **Taxes on Income:**

Taxes on income for the years ended December 31, 2021, 2020 and 2019 were comprised of the following:

	December 31		
	2021	2020	2019
	U.S. dollars in thousands		
Current:			
Domestic	—	—	—
Foreign	40	37	25
Total	40	37	25
Deferred:			
Domestic	—	—	—
Foreign	—	—	—
Total	—	—	—
<b>Provision for income taxes</b>	<b>40</b>	<b>37</b>	<b>225</b>

## VALENS SEMICONDUCTOR LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

**NOTE 14 - INCOME TAXES** (continued):

A reconciliation our theoretical income tax expense to actual income tax expense is as follows:

	December 31		
	2021	2020	2019
	U.S. dollars in thousands		
Loss before taxes on income and before Equity in earnings of investee	(26,137)	(19,488)	(25,541)
Statutory tax rate in Israel	23%	23%	23%
Theoretical tax benefit	(6,011)	(4,482)	(5,874)
Increase (decrease) in taxes resulting from:			
Effect of different tax rates applicable in foreign jurisdictions	1	4	5
Operating losses and other temporary differences for which valuation allowance was provided	3,773	3,224	5,203
Permanent differences	2,338	1,321	799
Tax prepayment	306	97	281
Actual taxes on income	407	164	414

**e. Deferred Tax Assets and Liabilities:**

The components of the Company's deferred tax assets and liabilities as of December 31, 2021 and 2020 were as follows:

	December 31	
	2021	2020
	U.S. dollars in thousands	
Deferred tax assets:		
Tax loss carryforwards	21,221	19,477
Research and development	7,526	2,124
Issuance costs	2,338	—
Employee and payroll accrued expenses	763	654
Other	44	42
Total deferred tax assets	31,892	22,297
Less valuation allowance for deferred tax assets	(31,892)	(22,297)
Deferred tax assets	—	—

Significant judgment is required in determining any valuation allowance recorded against deferred tax assets. In assessing the need for a valuation allowance, the Company considered all available evidence, including past operating results, the most recent projections for taxable income, and prudent and feasible tax planning strategies. The Company reassess its valuation allowance periodically and if future evidence allows for a partial or full release of the valuation allowance, a tax benefit will be recorded accordingly.

As of December 31, 2021, and 2020, the Company has recorded a full valuation allowance of \$(31,892) and \$(22,297) thousand with regard to its deferred taxes (which is mainly tax loss carryforwards) generated in Israel, respectively.

**VALENS SEMICONDUCTOR LTD.**

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

**NOTE 14 - INCOME TAXES** (continued):

The change in valuation allowance for the years ended December 31, 2021, 2020 and 2019 was \$(9,595), \$(4,500) thousand and \$(7,931) thousand, respectively.

**f. Uncertain tax positions**

The Company implement a two-step approach to recognize and measure uncertain tax positions. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that, on an evaluation of the technical merits, the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. We do not have any material liabilities in any reported periods regarding uncertain tax positions. We classify interest and penalties recognized related to our uncertain tax positions within income taxes on the consolidated statements of operations.

**g. Tax assessments**

The Israeli entity's income tax assessments are considered final through 2015.

The US subsidiary's income tax assessments are considered final through 2016.

**NOTE 15- SEGMENT AND REVENUE BY GEOGRAPHY AND BY MAJOR CUSTOMER:**

- a. For the purpose of evaluating financial performance and allocating resources, the CODM reviews financial information presented on a consolidated basis accompanied by disaggregated information about revenues, gross profit and operating loss by the two identified reportable segments, to make decisions about resources to be allocated to the segments and assess their performance. Assets information is not provided to the CODM and is not reviewed. Revenues and cost of goods sold are directly associated with the activities of a specific segment. Direct operating expenses, including general and administrative expenses, associated with the activities of a specific segment are charged to that segment. General and administrative expenses which cannot be attributed directly, are allocated evenly between segments. Other operating expenses are allocated to segments based on headcount ratio.

	<b>Year ended December 31, 2021</b>		
	<b>Audio- Video</b>	<b>Automotive</b>	<b>Consolidated</b>
	<b>U.S. dollars in thousands</b>		
Revenues	62,801	7,883	70,684
Gross profit	48,909	1,670	50,579
Research and development expenses	14,054	32,821	46,875
Sales and marketing expenses	6,944	7,270	14,214
General and administrative expenses	8,322	8,234	16,556
Segment operating profit (loss)	<u>19,589</u>	<u>(46,655)</u>	<u>(27,066)</u>
Financial income, net			929
Loss before taxes on income			<u>(26,137)</u>
Depreciation expenses	<u>371</u>	<u>728</u>	<u>1,099</u>



VALENS SEMICONDUCTOR LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 15- SEGMENT AND REVENUE BY GEOGRAPHY AND BY MAJOR CUSTOMER (continued):

	Year ended December 31, 2020		
	Audio- Video	Automotive	Consolidated
	U.S. dollars in thousands		
Revenues	54,843	2,067	56,910
Gross profit (loss)	43,609	(131)	43,478
Research and development expenses	13,116	31,609	44,725
Sales and marketing expenses	6,625	7,032	13,657
General and administrative expenses	4,064	3,820	7,884
Segment operating profit (loss)	19,804	(42,592)	(22,788)
Financial income, net			3,300
Loss before taxes on income			(19,488)
Depreciation expenses	419	674	1,093

	Year ended December 31, 2019		
	Audio- Video	Automotive	Consolidated
	U.S. dollars in thousands		
Revenues	59,053	988	60,041
Gross profit (loss)	47,699	(243)	47,456
Research and development expenses	20,257	32,447	52,704
Sales and marketing expenses	8,046	9,570	17,616
General and administrative expenses	2,569	2,551	5,120
Segment operating profit (loss)	16,827	(44,811)	(27,984)
Financial income, net			2,443
Loss before taxes on income			(25,541)
Depreciation expenses	505	533	1,038

**b. Geographic Revenues**

The following table shows revenue by geography, based on the customers' "bill to" location:

	Year Ended December 31		
	2021	2020	2019
	U.S. dollars in thousands		
Israel	1,670	1,028	1,470
China	15,574	11,989	7,268
Hong Kong	13,964	9,780	11,267
United States	10,842	7,969	12,189
Mexico	2,381	7,708	9,065
Japan	7,669	6,802	8,895
Other	18,584	11,634	9,887
	70,684	56,910	60,041

VALENS SEMICONDUCTOR LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 15- SEGMENT AND REVENUE BY GEOGRAPHY AND BY MAJOR CUSTOMER (continued):

c. Supplemental data - Major Customers:

The following table summarizes the significant customers' (including distributors) accounts receivable and revenues as a percentage of total accounts receivable and total revenues, respectively:

	December 31	
	2021	2020
	U.S. dollars in thousands	
<b>Accounts Receivable</b>		
Customer A	0%	36%
Customer B	16%	20%
Customer C	0%	14%
Customer D	12%	3%

	Year Ended December 31		
	2021	2020	2019
	U.S. dollars in thousands		
<b>Revenues</b>			
Customer C	10%	17%	18%
Customer D	11%	12%	14%
Customer B	9%	10%	12%

d. Property and Equipment by Geography:

	Year Ended December 31		
	2021	2020	2019
	U.S. dollars in thousands		
Domestic (Israel)	2,259	1,543	1,939
Taiwan	199	344	349
China	210	312	—
USA	73	151	290
Other	—	3	7
	<u>2,741</u>	<u>2,353</u>	<u>2,585</u>

NOTE 16 - RELATED PARTY TRANSACTIONS:

- a. During the years ended December 31, 2021, 2020 and 2019, the Company granted 321,777, 3,347,705 and 1,089,195 options, respectively, at a weighted average exercise price of \$1.04, \$0.86 and \$0.86 and respectively to several executives officers, and Board members of the Company. In addition, during the year ended December 31, 2021, the Company granted 7,398 RSUs to several Board members of the Company.

The fair value of the stock options that were granted during the year ended December 31, 2021 is \$1,266 thousand, which is expected to be recognized over a 3-4-years vesting period, and the fair value of the RSUs is \$55 thousand, which is expected to be recognized over a 3-years vesting period.

- b. In February 2020, the Company changed the employment terms of one of its executives, who is also a member of the Board of directors of the Company, into a fixed term employment of 5 years, ending in January 2025.

**VALENS SEMICONDUCTOR LTD.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

**NOTE 16 - RELATED PARTY TRANSACTIONS** (continued):

- c. On September 30, 2021, the vesting of 814,272 options of one of the Company's executives were accelerated. The Company expensed \$3,396 thousand in the general and administrative expenses due to such vesting acceleration.
- d. With respect of the execution of the Merger Agreement Closing and the listing as a public Company in the NYSE, certain of the Company's executives received cash bonus in the amount of \$1,545 thousand, that was expensed in the general and administrative expenses.
- e. As of December 31, 2021, and 2020, the Company accrued \$179 and \$92 respectively, for bonus payments to the Covered Executives.
- f. As of December 31, 2021, and 2020, the Company accrued \$142 and \$0, respectively, for services provided to PTK by its Sponsor in connection with the Merger.

THE COMPANIES LAW, 1999  
A LIMITED LIABILITY COMPANY

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**AMENDED AND RESTATED  
ARTICLES OF ASSOCIATION  
OF  
VALENS SEMICONDUCTOR LTD.**

As Adopted on September 29, 2021

**PRELIMINARY**

**1. DEFINITIONS; INTERPRETATION.**

(a) In these Articles, the following terms (whether or not capitalized) shall bear the meanings set forth opposite them, respectively, unless the subject or context requires otherwise.

“Articles”	shall mean these Amended and Restated Articles of Association, as amended from time to time.
“Board of Directors”	shall mean the Board of Directors of the Company.
“Chairperson”	shall mean the Chairperson of the Board of Directors, or the Chairperson of the General Meeting, as the context implies;
“Companies Law”	shall mean the Israeli Companies Law, 5759-1999, and the regulations promulgated thereunder. The Companies Law shall include reference to the Companies Ordinance (New Version), 5743-1983, of the State of Israel, to the extent in effect according to the provisions thereof.
“Company”	shall mean <b>Valens Semiconductor Ltd.</b>
“Director(s)”	shall mean the member(s) of the Board of Directors holding office at a given time.
“Economic Competition Law”	shall mean the Israeli Economic Competition Law, 5758-1988, and the regulations promulgated thereunder.
“External Director(s)”	shall have the meaning provided for such term in the Companies Law.
“General Meeting”	shall mean an Annual General Meeting or Special General Meeting of the Shareholders (each as defined in Article 23 of these Articles), as the case may be.
“NIS”	shall mean New Israeli Shekels.
“Office”	shall mean the registered office of the Company at any given time.
“Office Holder” or “Officer”	shall have the meaning provided for such term in the Companies Law.
“Securities Law”	shall mean the Israeli Securities Law, 5728-1968, and the regulations promulgated thereunder.
“Shareholder(s)”	shall mean the shareholder(s) of the Company, at any given time.

(b) Unless the context shall otherwise require: words in the singular shall also include the plural, and vice versa; any pronoun shall include the corresponding masculine, feminine and neuter forms; the words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”; the words “herein”, “hereof” and “hereunder” and words of similar import refer to these Articles in their entirety and not to any part hereof; all references herein to Articles or clauses shall be deemed references to Articles or clauses of these Articles; any references to any agreement or other instrument or law, statute or regulation are to it as amended, supplemented or restated, from time to time (and, in the case of any law, to any successor provisions or re-enactment or modification thereof being in force at the time); any reference to “law” shall include any law (*‘din’*) as defined in the Interpretation Law, 5741-1981, and any applicable supranational, national, federal, state, local, or foreign statute or law and shall be deemed also to refer to all rules and regulations promulgated thereunder; any reference to a “day” or a number of “days” (without any explicit reference otherwise, such as to business days) shall be interpreted as a reference to a calendar day or number of calendar days; any reference to a business day shall mean each calendar day other than any calendar day on which commercial banks in Tel-Aviv, Israel are authorized or required by applicable law to close; reference to a month or year means according to the Gregorian calendar; any reference to a “Person” shall mean any individual, partnership, corporation, limited liability company, association, estate, any political, governmental, regulatory or similar agency or body, or other legal entity; and reference to “written” or “in writing” shall include written, printed, photocopied, typed, any electronic communication (including email, facsimile, signed electronically (in Adobe PDF, DocuSign or any other format)) or produced by any visible substitute for writing, or partly one and partly another, and signed shall be construed accordingly.

(c) The captions in these Articles are for convenience only and shall not be deemed a part hereof or affect the construction or interpretation of any provision hereof.

(d) The specific provisions of these Articles shall supersede the provisions of the Companies Law to the extent permitted thereunder.

#### **LIMITED LIABILITY**

2. The Company is a limited liability company and each Shareholder’s liability for the Company’s debts is therefore limited (in addition to any liabilities under any contract) to the payment of the full amount (par value (if any) and premium) such Shareholder was required to pay the Company for such Shareholder’s Shares (as defined below) and which amount has not yet been paid by such Shareholder.

#### **COMPANY’S OBJECTIVES**

3. **OBJECTIVES.**

The Company’s objectives are to carry on any business, and do any act, which is not prohibited by law.

4. **DONATIONS.**

The Company may donate a reasonable amount of money (in cash or in kind, including the Company’s securities) to worthy purposes, as the Board of Directors may determine in its discretion, even if such donations are not made on the basis or within the scope of business considerations of the Company.

#### **SHARE CAPITAL**

5. **AUTHORIZED SHARE CAPITAL.**

(a) The authorized share capital of the Company shall consist of 700,000,000 Ordinary Shares without par value (the “Shares”).

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(b) The Shares shall rank *pari passu* in all respects. The Shares may be redeemable to the extent set forth in Article 18.

6. **INCREASE OF AUTHORIZED SHARE CAPITAL.**

(a) The Company may, from time to time, by a Shareholders' resolution, whether or not all of the shares then authorized have been issued, and whether or not all of the shares theretofore issued have been called up for payment, increase its authorized share capital by increasing the number of shares it is authorized to issue by such amount, and such additional shares shall confer such rights and preferences, and shall be subject to such restrictions, as such resolution shall provide.

(b) Except to the extent otherwise provided in such resolution, any new shares included in the authorized share capital increase as aforesaid shall be subject to all of the provisions of these Articles that are applicable to shares that are included in the existing share capital.

7. **SPECIAL OR CLASS RIGHTS; MODIFICATION OF RIGHTS.**

(a) The Company may, from time to time, by a Shareholders' resolution, provide for shares with such preferred or deferred rights or other special rights and/or such restrictions, whether in regard to dividends, voting, repayment of share capital or otherwise, as may be stipulated in such resolution.

(b) If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class, unless otherwise provided by these Articles, may be modified or cancelled by the Company by a resolution of the General Meeting of the holders of all shares as one class, without any required separate resolution of any class of shares.

(c) The provisions of these Articles relating to General Meetings shall apply, *mutatis mutandis*, to any separate General Meeting of the holders of the shares of a particular class, it being clarified that the requisite quorum at any such separate General Meeting shall be two or more Shareholders present in person or by proxy and holding not less than thirty-three and one-third percent (33 $\frac{1}{3}$ %) of the issued shares of such class, provided, however, that if (i) such separate General Meeting of the holders of the particular class was initiated by and convened pursuant to a resolution adopted by the Board of Directors and (ii) at the time of such meeting the Company is qualified to use the forms of a "foreign private issuer" under US securities laws, then the requisite quorum at any such separate General Meeting shall be two or more Shareholders (not in default in payment of any sum referred to in Article 13 hereof) present in person or by proxy and holding not less than twenty-five percent (25%) of the issued shares of such class. For the purpose of determining the quorum present at such General Meeting, a proxy may be deemed to be two (2) or more Shareholders pursuant to the number of Shareholders represented by the proxy holder.

(d) Unless otherwise provided by these Articles, an increase in the authorized share capital, the creation of a new class of shares, an increase in the authorized share capital of a class of shares, or the issuance of additional shares thereof out of the authorized and unissued share capital, shall not be deemed, for purposes of this Article 7, to modify or derogate or cancel the rights attached to previously issued shares of such class or of any other class.

8. **CONSOLIDATION, DIVISION, CANCELLATION AND REDUCTION OF SHARE CAPITAL.**

(a) The Company may, from time to time, by or pursuant to an authorization of a Shareholders' resolution, and subject to applicable law:

(i) consolidate all or any part of its issued or unissued authorized share capital;

(ii) divide or sub-divide its shares (issued or unissued) or any of them and the resolution whereby any share is divided may determine that, as among the holders of the shares resulting from such subdivision, one or more of the shares may, in contrast to others, have any such preferred or deferred rights or rights of redemption or other special rights, or be subject to any such restrictions, as the Company may attach to unissued or new shares;

(iii) cancel any authorized shares which, at the date of the adoption of such resolution, have not been issued to any person nor has the Company made any commitment, including a conditional commitment, to issue such shares, and reduce the amount of its share capital by the amount of the shares so canceled; or

(iv) reduce its share capital in any manner.

(b) With respect to any consolidation of issued shares and with respect to any other action which may result in fractional shares, the Board of Directors may settle any difficulty which may arise with regard thereto, as it deems fit, and, in connection with any such consolidation or other action which could result in fractional shares, may, without limiting its aforesaid power:

(i) determine, as to the holder of shares so consolidated, which issued shares shall be consolidated;

(ii) issue, in contemplation of or subsequent to such consolidation or other action, shares sufficient to preclude or remove fractional share holdings;

(iii) redeem such shares or fractional shares sufficient to preclude or remove fractional share holdings;

(iv) round up, round down or round to the nearest whole number, any fractional shares resulting from the consolidation or from any other action which may result in fractional shares; or

(v) cause the transfer of fractional shares by certain Shareholders of the Company to other Shareholders thereof so as to most expediently preclude or remove any fractional shareholdings, and cause the transferees of such fractional shares to pay the transferors thereof the fair value thereof, and the Board of Directors is hereby authorized to act in connection with such transfer, as agent for the transferors and transferees of any such fractional shares, with full power of substitution, for the purposes of implementing the provisions of this sub-Article 8(b)(v).

9. **ISSUANCE OF SHARE CERTIFICATES, REPLACEMENT OF LOST CERTIFICATES.**

(a) To the extent that the Board of Directors determines that all shares shall be certificated or, if the Board of Directors does not so determine, to the extent that any Shareholder requests a share certificate or the Company's transfer agent so requires, share certificates shall be issued under the corporate seal of the Company or its written, typed or stamped name and shall bear the signature of one Director, the Company's Chief Executive Officer, or any person or persons authorized therefor by the Board of Directors. Signatures may be affixed in any mechanical or electronic form, as the Board of Directors may prescribe.

(b) Subject to the provisions of Article 9(a), each Shareholder shall be entitled to one numbered certificate for all of the shares of any class registered in his or her name. Each certificate shall specify the serial numbers of the shares represented thereby and may also specify the amount paid up thereon. The Company (as determined by an officer of the Company to be designated by the Chief Executive Officer) shall not refuse a request by a Shareholder to obtain several certificates in place of one certificate, unless such request is, in the opinion of such officer, unreasonable. Where a Shareholder has sold or transferred a portion of such Shareholder's shares, such Shareholder shall be entitled to receive a certificate in respect of such Shareholder's remaining shares, provided that the previous certificate is delivered to the Company before the issuance of a new certificate.

(c) A share certificate registered in the names of two or more persons shall be delivered to the person first named in the Register of Shareholders in respect of such co-ownership.

(d) A share certificate which has been defaced, lost or destroyed, may be replaced, and the Company shall issue a new certificate to replace such defaced, lost or destroyed certificate upon payment of such fee, and upon the furnishing of such evidence of ownership and such indemnity, as the Board of Directors in its discretion deems fit.

10. **REGISTERED HOLDER.**

Except as otherwise provided in these Articles or the Companies Law, the Company shall be entitled to treat the registered holder of each share as the absolute owner thereof, and accordingly, shall not, except as ordered by a court of competent jurisdiction, or as required by the Companies Law, be obligated to recognize any equitable or other claim to, or interest in, such share on the part of any other person.

11. **ISSUANCE AND REPURCHASE OF SHARES.**

(a) The unissued shares from time to time shall be under the control of the Board of Directors (and, to the extent permitted by law, any Committee thereof), which shall have the power to issue or otherwise dispose of shares and of securities convertible or exercisable into or other rights to acquire from the Company to such persons, on such terms and conditions (including, inter alia, price, with or without premium, discount or commission, and terms relating to calls set forth in Article 13(f) hereof), and at such times, as the Board of Directors (or the Committee, as the case may be) deems fit, and the power to give to any person the option to acquire from the Company any shares or securities convertible or exercisable into or other rights to acquire from the Company on such terms and conditions (including, inter alia, price, with or without premium, discount or commission), during such time as the Board of Directors (or the Committee, as the case may be) deems fit.

(b) The Company may at any time and from time to time, subject to the Companies Law, repurchase or finance the purchase of any shares or other securities issued by the Company, in such manner and under such terms as the Board of Directors shall determine, whether from any one or more Shareholders. Such purchase shall not be deemed as payment of dividends and as such, no Shareholder will have the right to require the Company to purchase his or her shares or offer to purchase shares from any other Shareholders.

12. **PAYMENT IN INSTALLMENT.**

If pursuant to the terms of issuance of any share, all or any portion of the price thereof shall be payable in installments, every such installment shall be paid to the Company on the due date thereof by the then registered holder(s) of the share or the person(s) then entitled thereto.

13. **CALLS ON SHARES.**

(a) The Board of Directors may, from time to time, as it, in its discretion, deems fit, make calls for payment upon Shareholders in respect of any sum (including premium) which has not been paid up in respect of shares held by such Shareholders and which is not, pursuant to the terms of issuance of such shares or otherwise, payable at a fixed time, and each Shareholder shall pay the amount of every call so made upon him or her (and of each installment thereof if the same is payable in installments), to the person(s) and at the time(s) and place(s) designated by the Board of Directors, as any such times may be thereafter extended and/or such person(s) or place(s) changed. Unless otherwise stipulated in the resolution of the Board of Directors (and in the notice hereafter referred to), each payment in response to a call shall be deemed to constitute a pro rata payment on account of all the shares in respect of which such call was made.

(b) Notice of any call for payment by a shareholder shall be given in writing to such shareholder not less than fourteen (14) days prior to the time of payment fixed in such notice, and shall specify the time and place of payment, and the person to whom such payment is to be made. Prior to the time for any such payment fixed in a notice of a call given to a shareholder, the Board of Directors may in its absolute discretion, by notice in writing to such shareholder, revoke such call in whole or in part, extend the time fixed for payment thereof, or designate a different place of payment or person to whom payment is to be made. In the event of a call payable in installments, only one notice thereof need be given.



(c) If pursuant to the terms of issuance of a share or otherwise, an amount is made payable at a fixed time, such amount shall be payable at such time as if it were payable by virtue of a call made by the Board of Directors and for which notice was given in accordance with paragraphs (a) and (b) of this Article 13, and the provision of these Articles with regard to calls (and the non-payment thereof) shall be applicable to such amount or such installment (and the non-payment thereof).

(d) Joint holders of a share shall be jointly and severally liable to pay all calls for payment in respect of such share and all interest payable thereon.

(e) Any amount called for payment which is not paid when due shall bear interest from the date fixed for payment until actual payment thereof, at such rate (not exceeding the then prevailing debitory rate charged by leading commercial banks in Israel), and payable at such time(s) as the Board of Directors may prescribe.

(f) Upon the issuance of shares, the Board of Directors may provide for differences among the holders of such shares as to the amounts and times for payment of calls for payment in respect of such shares.

14. **PREPAYMENT.**

With the approval of the Board of Directors, any Shareholder may pay to the Company any amount not yet payable in respect of his or her shares, and the Board of Directors may approve the payment by the Company of interest on any such amount until the same would be payable if it had not been paid in advance, at such rate and time(s) as may be approved by the Board of Directors. The Board of Directors may at any time cause the Company to repay all or any part of the money so advanced, without premium or penalty. Nothing in this Article 14 shall derogate from the right of the Board of Directors to make any call for payment before or after receipt by the Company of any such advance.

15. **FORFEITURE AND SURRENDER.**

(a) If any Shareholder fails to pay an amount payable by virtue of a call, installment or interest thereon as provided for in accordance herewith, on or before the day fixed for payment of the same, the Board of Directors may at any time after the day fixed for such payment, so long as such amount (or any portion thereof) or interest thereon (or any portion thereof) remains unpaid, forfeit all or any of the shares in respect of which such payment was called for. All expenses incurred by the Company in attempting to collect any such amount or interest thereon, including, without limitation, attorneys' fees and costs of legal proceedings, shall be added to, and shall, for all purposes (including the accrual of interest thereon) constitute a part of, the amount payable to the Company in respect of such call.

(b) Upon the adoption of a resolution as to the forfeiture of a Shareholder's share, the Board of Directors shall cause notice thereof to be given to such Shareholder, which notice shall state that, in the event of the failure to pay the entire amount so payable by a date specified in the notice (which date shall be not less than fourteen (14) days after the date such notice is given and which may be extended by the Board of Directors), such shares shall be ipso facto forfeited, provided, however, that, prior to such date, the Board of Directors may cancel such resolution of forfeiture, but no such cancellation shall stop the Board of Directors from adopting a further resolution of forfeiture in respect of the non-payment of the same amount.

(c) Without derogating from Articles 51 and 55 hereof, whenever shares are forfeited as herein provided, all dividends, if any, theretofore declared in respect thereof and not actually paid shall be deemed to have been forfeited at the same time.

(d) The Company, by resolution of the Board of Directors, may accept the voluntary surrender of any share.

(e) Any share forfeited or surrendered as provided herein, shall become the property of the Company as a dormant share, and the same, subject to the provisions of these Articles, may be sold, re-issued or otherwise disposed of as the Board of Directors deems fit.

(f) Any person whose shares have been forfeited or surrendered shall cease to be a shareholder in respect of the forfeited or surrendered shares, but shall, notwithstanding, be liable to pay, and shall forthwith pay, to the Company, all calls, interest and expenses owing upon or in respect of such shares at the time of forfeiture or surrender, together with interest thereon from the time of forfeiture or surrender until actual payment, at the rate prescribed in Article 13(e) above, and the Board of Directors, in its discretion, may, but shall not be obligated to, enforce or collect the payment of such amounts, or any part thereof, as it shall deem fit. In the event of such forfeiture or surrender, the Company, by resolution of the Board of Directors, may accelerate the date(s) of payment of any or all amounts then owing to the Company by the person in question (but not yet due) in respect of all shares owned by such Shareholder, solely or jointly with another.

(g) The Board of Directors may at any time, before any share so forfeited or surrendered shall have been sold, re-issued or otherwise disposed of, nullify the forfeiture or surrender on such conditions as it deems fit, but no such nullification shall stop the Board of Directors from re-exercising its powers of forfeiture pursuant to this Article 15.

16. **LIEN.**

(a) Except to the extent the same may be waived or subordinated in writing, the Company shall have a first and paramount lien upon all the shares registered in the name of each Shareholder (without regard to any equitable or other claim or interest in such shares on the part of any other person), and upon the proceeds of the sale thereof, for his or her debts, liabilities and engagements to the Company arising from any amount payable by such Shareholder in respect of any unpaid or partly paid share, whether or not such debt, liability or engagement has matured. Such lien shall extend to all dividends from time to time declared or paid in respect of such share. Unless otherwise provided, the registration by the Company of a transfer of shares shall be deemed to be a waiver on the part of the Company of the lien (if any) existing on such shares immediately prior to such transfer.

(b) The Board of Directors may cause the Company to sell a share subject to such a lien when the debt, liability or engagement giving rise to such lien has matured, in such manner as the Board of Directors deems fit, but no such sale shall be made unless such debt, liability or engagement has not been satisfied within fourteen (14) days after written notice of the intention to sell shall have been served on such Shareholder, his or her executors or administrators.

(c) The net proceeds of any such sale, after payment of the costs and expenses thereof or ancillary thereto, shall be applied in or toward satisfaction of the debts, liabilities or engagements of such Shareholder in respect of such share (whether or not the same have matured), and the remaining proceeds (if any) shall be paid to the shareholder, his or her executors, administrators or assigns.

17. **SALE AFTER FORFEITURE OR SURRENDER OR FOR ENFORCEMENT OF LIEN.**

Upon any sale of a share after forfeiture or surrender or for enforcing a lien, the Board of Directors may appoint any person to execute an instrument of transfer of the share so sold and cause the purchaser's name to be entered in the Register of Shareholders in respect of such share. The purchaser shall be registered as the shareholder and shall not be bound to see to the regularity of the sale proceedings, or to the application of the proceeds of such sale, and after his or her name has been entered in the Register of Shareholders in respect of such share, the validity of the sale shall not be impeached by any person, and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.

18. **REDEEMABLE SHARES.**

The Company may, subject to applicable law, issue redeemable shares or other securities and redeem the same upon terms and conditions to be set forth in a written agreement between the Company and the holder of such shares or in their terms of issuance.

**TRANSFER OF SHARES**

19. **REGISTRATION OF TRANSFER.**

No transfer of shares shall be registered unless a proper writing or instrument of transfer (in any customary form or any other form satisfactory to the Board of Directors or an officer of the Company to be designated by the Chief Executive Officer) has been submitted to the Company (or its transfer agent), together with any share certificate(s) and such other evidence of title as the Board of Directors or an officer of the Company to be designated by the Chief Executive Officer may require. Notwithstanding anything to the contrary herein, shares registered in the name of The Depository Trust Company or its nominee shall be transferrable in accordance with the policies and procedures of The Depository Trust Company. Until the transferee has been registered in the Register of Shareholders in respect of the shares so transferred, the Company may continue to regard the transferor as the owner thereof. The Board of Directors, may, from time to time, prescribe a fee for the registration of a transfer, and may approve other methods of recognizing the transfer of shares in order to facilitate the trading of the Company's shares on the New York Stock Exchange or on any other stock exchange on which the Company's shares are then listed for trading.

20. **SUSPENSION OF REGISTRATION.**

The Board of Directors may, in its discretion to the extent it deems necessary, close the Register of Shareholders of registration of transfers of shares for a period determined by the Board of Directors, and no registrations of transfers of shares shall be made by the Company during any such period during which the Register of Shareholders is so closed.

**TRANSMISSION OF SHARES**

21. **DECEDENTS' SHARES.**

Upon the death of a Shareholder, the Company shall recognize the custodian or administrator of the estate or executor of the will, and in the absence of such, the lawful heirs of the Shareholder, as the only holders of the right for the shares of the deceased Shareholder, after receipt of evidence to the entitlement thereto, as determined by the Board of Directors or an officer of the Company to be designated by the Chief Executive Officer.

22. **RECEIVERS AND LIQUIDATORS.**

(a) The Company may recognize any receiver, liquidator or similar official appointed to wind-up, dissolve or otherwise liquidate a corporate Shareholder, and a trustee, manager, receiver, liquidator or similar official appointed in bankruptcy or in connection with the reorganization of, or similar proceeding with respect to a Shareholder or its properties, as being entitled to the shares registered in the name of such Shareholder.

(b) Such receiver, liquidator or similar official appointed to wind-up, dissolve or otherwise liquidate a corporate Shareholder and such trustee, manager, receiver, liquidator or similar official appointed in bankruptcy or in connection with the reorganization of, or similar proceedings with respect to a Shareholder or its properties, upon producing such evidence as the Board of Directors (or an officer of the Company to be designated by the Chief Executive Officer) may deem sufficient as to his or her authority to act in such capacity or under this Article, shall with the consent of the Board of Directors or an officer of the Company to be designated by the Chief Executive Officer (which the Board of Directors or such officer may grant or refuse in its absolute discretion), be registered as a Shareholder in respect of such shares, or may, subject to the regulations as to transfer herein contained, transfer such shares.

## GENERAL MEETINGS

### 23. **GENERAL MEETINGS.**

(a) An annual General Meeting (“**Annual General Meeting**”) shall be held at such time and at such place, either within or outside of the State of Israel, as may be determined by the Board of Directors.

(b) All General Meetings other than Annual General Meetings shall be called “**Special General Meetings**”. The Board of Directors may, at its discretion, convene a Special General Meeting at such time and place, within or outside of the State of Israel, as may be determined by the Board of Directors.

(c) If so determined by the Board of Directors, an Annual General Meeting or a Special General Meeting may be held through the use of any means of communication approved by the Board of Directors, provided all of the participating Shareholders can hear each other simultaneously. A resolution approved by use of means of communications as aforesaid, shall be deemed to be a resolution lawfully adopted at such general meeting and a Shareholder shall be deemed present in person at such general meeting if attending such meeting through the means of communication used at such meeting.

### 24. **RECORD DATE FOR GENERAL MEETING.**

Notwithstanding any provision of these Articles to the contrary, and to allow the Company to determine the Shareholders entitled to notice of or to vote at any General Meeting or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or grant of any rights, or entitled to exercise any rights in respect of or to take or be the subject of any other action, the Board of Directors may fix a record date for the General Meeting, which shall not be more than the maximum period and not less than the minimum period permitted by law. A determination of Shareholders of record entitled to notice of or to vote at a General Meeting shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

### 25. **SHAREHOLDER PROPOSAL REQUEST.**

(a) Any Shareholder or Shareholders of the Company holding at least the required percentage under the Companies Law of the voting rights of the Company which entitles such Shareholder(s) to require the Company to include a matter on the agenda of a General Meeting (the “**Proposing Shareholder(s)**”) may request, subject to the Companies Law, that the Board of Directors include a matter on the agenda of a General Meeting to be held in the future, provided that the Board of Directors determines that the matter is appropriate to be considered at a General Meeting (a “**Proposal Request**”). In order for the Board of Directors to consider a Proposal Request and whether to include the matter stated therein in the agenda of a General Meeting, notice of the Proposal Request must be timely delivered in accordance with applicable law, and the Proposal Request must comply with the requirements of these Articles (including this Article 25) and any applicable law and stock exchange rules and regulations. The Proposal Request must be in writing, signed by all of the Proposing Shareholder(s) making such request, delivered, either in person or by registered mail, postage prepaid, and received by the Secretary (or, in the absence thereof, by the Chief Executive Officer of the Company). To be considered timely, a Proposal Request must be received within the time periods prescribed by applicable law. The announcement of an adjournment or postponement of a General Meeting shall not commence a new time period (or extend any time period) for the delivery of a Proposal Request as described above. In addition to any information required to be included in accordance with applicable law, a Proposal Request must include the following: (i) the name, address, telephone number, fax number and email address of the Proposing Shareholder (or each Proposing Shareholder, as the case may be) and, if an entity, the name(s) of the person(s) that controls or manages such entity; (ii) the number of Shares held by the Proposing Shareholder(s), directly or indirectly (and, if any of such Shares are held indirectly, an explanation of how they are held

and by whom), which shall be in such number no less than as is required to qualify as a Proposing Shareholder, accompanied by evidence satisfactory to the Company of the record holding of such Shares by the Proposing Shareholder(s) as of the date of the Proposal Request; (iii) the matter requested to be included on the agenda of a General Meeting, all information related to such matter, the reason that such matter is proposed to be brought before the General Meeting, the complete text of the resolution that the Proposing Shareholder proposes to be voted upon at the General Meeting, and a representation that the Proposing Shareholder(s) intend to appear in person or by proxy at the meeting; (iv) a description of all arrangements or understandings between the Proposing Shareholders and any other Person(s) (naming such Person or Persons) in connection with the matter that is requested to be included on the agenda and a declaration signed by all Proposing Shareholder(s) of whether any of them has a personal interest in the matter and, if so, a description in reasonable detail of such personal interest; (v) a description of all Derivative Transactions (as defined below) by each Proposing Shareholder(s) during the previous twelve (12) month period, including the date of the transactions and the class, series and number of securities involved in, and the material economic terms of, such Derivative Transactions; and (vi) a declaration that all of the information that is required under the Companies Law and any other applicable law and stock exchange rules and regulations to be provided to the Company in connection with such matter, if any, has been provided to the Company. The Board of Directors, may, in its discretion, to the extent it deems necessary, request that the Proposing Shareholder(s) provide additional information necessary so as to include a matter in the agenda of a General Meeting, as the Board of Directors may reasonably require.

A “**Derivative Transaction**” means any agreement, arrangement, interest or understanding entered into by, or on behalf or for the benefit of, any Proposing Shareholder or any of its affiliates or associates, whether of record or beneficial: (1) the value of which is derived in whole or in part from the value of any class or series of shares or other securities of the Company, (2) which otherwise provides any direct or indirect opportunity to gain or share in any gain derived from a change in the value of securities of the Company, (3) the effect or intent of which is to mitigate loss, manage risk or benefit of security value or price changes, or (4) which provides the right to vote or increase or decrease the voting power of, such Proposing Shareholder, or any of its affiliates or associates, with respect to any shares or other securities of the Company, which agreement, arrangement, interest or understanding may include, without limitation, any option, warrant, debt position, note, bond, convertible security, swap, stock appreciation right, short position, profit interest, hedge, right to dividends, voting agreement, performance-related fee or arrangement to borrow or lend shares (whether or not subject to payment, settlement, exercise or conversion in any such class or series), and any proportionate interest of such Proposing Shareholder in the securities of the Company held by any general or limited partnership, or any limited liability company, of which such Proposing Shareholder is, directly or indirectly, a general partner or managing member.

(b) The information required pursuant to this Article shall be updated as of (i) the record date of the General Meeting, (ii) five business days before the General Meeting, and (iii) as of the General Meeting, and any adjournment or postponement thereof.

(c) The provisions of Articles 25(a) and 25(b) shall apply, *mutatis mutandis*, to any matter to be included on the agenda of a Special General Meeting which is convened pursuant to a request of a Shareholder duly delivered to the Company in accordance with the Companies Law.

(d) Notwithstanding anything to the contrary herein, this Article 25 may only be amended, replaced or suspended by a resolution adopted at a General Meeting by a supermajority of at least sixty-five percent (65%) of the total voting power of the Shareholders.

26. **NOTICE OF GENERAL MEETINGS; OMISSION TO GIVE NOTICE.**

(a) The Company is not required to give notice of a General Meeting, subject to any mandatory provision of the Companies Law.

(b) The accidental omission to give notice of a General Meeting to any Shareholder, or the non-receipt of notice sent to such Shareholder, shall not invalidate the proceedings at such meeting or any resolution adopted thereat.

(c) No Shareholder present, in person or by proxy, at any time during a General Meeting shall be entitled to seek the cancellation or invalidation of any proceedings or resolutions adopted at such General Meeting on account of any defect in the notice of such meeting relating to the time or the place thereof, or any item acted upon at such meeting.

(d) In addition to any places at which the Company may make available for review by Shareholders the full text of the proposed resolutions to be adopted at a General Meeting, as required by the Companies Law, the Company may add additional places for Shareholders to review such proposed resolutions, including an internet site.

#### **PROCEEDINGS AT GENERAL MEETINGS**

27. **QUORUM.**

(a) No business shall be transacted at a General Meeting, or at any adjournment thereof, unless the quorum required under these Articles for such General Meeting or such adjourned meeting, as the case may be, is present when the meeting proceeds to business.

(b) In the absence of contrary provisions in these Articles, the requisite quorum for any General Meeting shall be two or more Shareholders (not in default in payment of any sum referred to in Article 13 hereof) present in person or by proxy and holding shares conferring in the aggregate at least thirty-three and one-third percent (33 $\frac{1}{3}$ %) of the voting power of the Company, provided, however, that if (i) such General Meeting was initiated by and convened pursuant to a resolution adopted by the Board of Directors and (ii) at the time of such General Meeting the Company is qualified to use the forms of a "foreign private issuer" under US securities laws, then the requisite quorum shall be two or more Shareholders (not in default in payment of any sum referred to in Article 13 hereof) present in person or by proxy and holding shares conferring in the aggregate at least twenty-five percent (25%) of the voting power of the Company. For the purpose of determining the quorum present at a certain General Meeting, a proxy may be deemed to be two (2) or more Shareholders pursuant to the number of Shareholders represented by the proxy holder.

(c) If within half an hour from the time appointed for the meeting a quorum is not present, then without any further notice the meeting shall be adjourned either (i) to the same day in the next week, at the same time and place, (ii) to such day and at such time and place as indicated in the notice of such meeting, or (iii) to such day and at such time and place as the Chairperson of the General Meeting shall determine (which may be earlier or later than the date pursuant to clause (i) above). No business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting as originally called. At such adjourned meeting, if the original meeting was convened pursuant to a request under Section 63 of the Companies Law, one or more shareholders, present in person or by proxy, and holding the number of shares required for making such request, shall constitute a quorum, but in any other case any shareholder (not in default as aforesaid) present in person or by proxy, shall constitute a quorum.

28. **CHAIRPERSON OF GENERAL MEETING.**

The Chairperson of the Board of Directors shall preside as Chairperson of every General Meeting of the Company. If at any meeting the Chairperson is not present within fifteen (15) minutes after the time fixed for holding the meeting or is unwilling or unable to act as Chairperson, any of the following may preside as Chairperson of the meeting (and in the following order): a Director designated by the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, the General Counsel, the Secretary or any person designated by any of the foregoing. If at any such meeting none of the foregoing persons is present or all are unwilling or unable to act as Chairperson, the Shareholders present (in person or by proxy) shall

choose a Shareholder or its proxy present at the meeting to be Chairperson. The office of Chairperson shall not, by itself, entitle the holder thereof to vote at any General Meeting nor shall it entitle such holder to a second or casting vote (without derogating, however, from the rights of such Chairperson to vote as a Shareholder or proxy of a Shareholder if, in fact, the Chairperson is also a Shareholder or such proxy).

29. **ADOPTION OF RESOLUTIONS AT GENERAL MEETINGS.**

(a) Except as required by the Companies Law or these Articles, including, without limitation, Article 39 below, a resolution of the Shareholders shall be adopted if approved by the holders of a simple majority of the voting power represented at the General Meeting in person or by proxy and voting thereon, as one class, and disregarding abstentions from the count of the voting power present and voting. Without limiting the generality of the foregoing, a resolution with respect to a matter or action for which the Companies Law prescribes a higher majority or pursuant to which a provision requiring a higher majority would have been deemed to have been incorporated into these Articles, but for which the Companies Law allows these Articles to provide otherwise (including, Sections 327 and 24 of the Companies Law), shall be adopted by a simple majority of the voting power represented at the General Meeting in person or by proxy and voting thereon, as one class, and disregarding abstentions from the count of the voting power present and voting.

(b) Every question submitted to a General Meeting shall be decided by a show of hands, but the Chairperson of the General Meeting may determine that a resolution shall be decided by a written ballot. A written ballot may be implemented before the proposed resolution is voted upon or immediately after the declaration by the Chairperson of the results of the vote by a show of hands. If a vote by written ballot is taken after such declaration, the results of the vote by a show of hands shall be of no effect, and the proposed resolution shall be decided by such written ballot.

(c) A defect in convening or conducting a General Meeting, including a defect resulting from the non-fulfillment of any provision or condition set forth in the Companies Law or these Articles, including with regard to the manner of convening or conducting the General Meeting, shall not disqualify any resolution passed at the General Meeting and shall not affect the discussions or decisions which took place thereat.

(d) A declaration by the Chairperson of the General Meeting that a resolution has been carried unanimously, or carried by a particular majority, or rejected, and an entry to that effect in the minute book of the Company, shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favor of or against such resolution.

30. **POWER TO ADJOURN.**

A General Meeting, the consideration of any matter on its agenda, or the resolution on any matter on its agenda, may be postponed or adjourned, from time to time and from place to place: (i) by the Chairperson of a General Meeting at which a quorum is present (and he shall do so if directed by the General Meeting, with the consent of the holders of a majority of the voting power represented in person or by proxy and voting on the question of adjournment), but no business shall be transacted at any such adjourned meeting except business which might lawfully have been transacted at the meeting as originally called, or a matter on its agenda with respect to which no resolution was adopted at the meeting originally called; or (ii) by the Board of Directors (whether prior to or at a General Meeting).

31. **VOTING POWER.**

Subject to the provisions of Article 32(a) and to any provision hereof conferring special rights as to voting, or restricting the right to vote, every Shareholder shall have one vote for each share held by the Shareholder of record, on every resolution, without regard to whether the vote thereon is conducted by a show of hands, by written ballot, or by any other means.

32. **VOTING RIGHTS.**

- (a) No Shareholder shall be entitled to vote at any General Meeting (or be counted as a part of the quorum thereat), unless all calls then payable by him or her in respect of his or her shares in the Company have been paid.
- (b) A company or other corporate body being a Shareholder of the Company may duly authorize any person to be its representative at any meeting of the Company or to execute or deliver a proxy on its behalf. Any person so authorized shall be entitled to exercise on behalf of such Shareholder all the power, which the Shareholder could have exercised if it were an individual. Upon the request of the Chairperson of the General Meeting, written evidence of such authorization (in form acceptable to the Chairperson) shall be delivered to him or her.
- (c) Any Shareholder entitled to vote may vote either in person or by proxy (who need not be a Shareholder of the Company), or, if the Shareholder is a company or other corporate body, by representative authorized pursuant to Article (b) above.
- (d) If two or more persons are registered as joint holders of any share, the vote of the senior who tenders a vote, in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s). For the purpose of this Article 32(d), seniority shall be determined by the order of registration of the joint holders in the Register of Shareholders.
- (e) If a Shareholder is a minor, under protection, bankrupt or legally incompetent, or in the case of a corporation, is in receivership or liquidation, it may, subject to all other provisions of these Articles and any documents or records required to be provided under these Articles, vote through his, her or its trustees, receiver, liquidator, natural guardian or another legal guardian, as the case may be, and the persons listed above may vote in person or by proxy.

**PROXIES**

33. **INSTRUMENT OF APPOINTMENT.**

- (a) An instrument appointing a proxy shall be in writing and shall be substantially in the following form:

“I \_\_\_\_\_ of \_\_\_\_\_  
*(Name of Shareholder)* *(Address of Shareholder)*  
Being a shareholder of Valens Semiconductor Ltd. hereby appoints  
\_\_\_\_\_ of \_\_\_\_\_  
*(Name of Proxy)* *(Address of Proxy)*  
as my proxy to vote for me and on my behalf at the General Meeting of the Company to be held on the \_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ and at any adjournment(s) thereof.  
Signed this \_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.  
(Signature of Appointor)”

or in any usual or common form or in such other form as may be approved by the Board of Directors. Such proxy shall be duly signed by the appointor of such person’s duly authorized attorney, or, if such appointor is company or other corporate body, in the manner in which it signs documents which binds it together with a certificate of an attorney with regard to the authority of the signatories.

- (b) Subject to the Companies Law, the original instrument appointing a proxy or a copy thereof certified by an attorney (and the power of attorney or other authority, if any, under which such instrument has been signed) shall be delivered to the Company (at its Office, at its principal



place of business, or at the offices of its registrar or transfer agent, or at such place as notice of the meeting may specify) not less than forty eight (48) hours (or such shorter period as the notice shall specify) before the time fixed for such meeting. Notwithstanding the above, the Chairperson shall have the right to waive the time requirement provided above with respect to all instruments of proxies and to accept instruments of proxy until the beginning of a General Meeting. A document appointing a proxy shall be valid for every adjourned meeting of the General Meeting to which the document relates.

34. **EFFECT OF DEATH OF APPOINTOR OF TRANSFER OF SHARE AND OR REVOCATION OF APPOINTMENT.**

(a) A vote cast in accordance with an instrument appointing a proxy shall be valid notwithstanding the prior death or bankruptcy of the appointing Shareholder (or of his or her attorney-in-fact, if any, who signed such instrument), or the transfer of the share in respect of which the vote is cast, unless written notice of such matters shall have been received by the Company or by the Chairperson of such meeting prior to such vote being cast.

(b) Subject to the Companies Law, an instrument appointing a proxy shall be deemed revoked (i) upon receipt by the Company or the Chairperson, subsequent to receipt by the Company of such instrument, of written notice signed by the person signing such instrument or by the Shareholder appointing such proxy canceling the appointment thereunder (or the authority pursuant to which such instrument was signed) or of an instrument appointing a different proxy (and such other documents, if any, required under Article 33(b) for such new appointment), provided such notice of cancellation or instrument appointing a different proxy were so received at the place and within the time for delivery of the instrument revoked thereby as referred to in Article 33(b) hereof, or (ii) if the appointing Shareholder is present in person at the meeting for which such instrument of proxy was delivered, upon receipt by the Chairperson of such meeting of written notice from such Shareholder of the revocation of such appointment, or if and when such Shareholder votes at such meeting. A vote cast in accordance with an instrument appointing a proxy shall be valid notwithstanding the revocation or purported cancellation of the appointment, or the presence in person or vote of the appointing Shareholder at a meeting for which it was rendered, unless such instrument of appointment was deemed revoked in accordance with the foregoing provisions of this Article 34(b) at or prior to the time such vote was cast.

**BOARD OF DIRECTORS**

35. **POWERS OF THE BOARD OF DIRECTORS.**

(a) The Board of Directors may exercise all such powers and do all such acts and things as the Board of Directors is authorized by law or as the Company is authorized to exercise and do and are not hereby or by law required to be exercised or done by the General Meeting. The authority conferred on the Board of Directors by this Article 35 shall be subject to the provisions of the Companies Law, these Articles and any regulation or resolution consistent with these Articles adopted from time to time at a General Meeting, provided, however, that no such regulation or resolution shall invalidate any prior act done by or pursuant to a decision of the Board of Directors which would have been valid if such regulation or resolution had not been adopted.

(b) Without limiting the generality of the foregoing, the Board of Directors may, from time to time, set aside any amount(s) out of the profits of the Company as a reserve or reserves for any purpose(s) which the Board of Directors, in its absolute discretion, shall deem fit, including without limitation, capitalization and distribution of bonus shares, and may invest any sum so set aside in any manner and from time to time deal with and vary such investments and dispose of all or any part thereof, and employ any such reserve or any part thereof in the business of the Company without being bound to keep the same separate from other assets of the Company, and may subdivide or re-designate any reserve or cancel the same or apply the funds therein for another purpose, all as the Board of Directors may from time to time think fit.

36. **EXERCISE OF POWERS OF THE BOARD OF DIRECTORS.**

(a) A meeting of the Board of Directors at which a quorum is present in accordance with Article 45 shall be competent to exercise all the authorities, powers and discretion vested in or exercisable by the Board of Directors.

(b) A resolution proposed at any meeting of the Board of Directors shall be deemed adopted if approved by a majority of the Directors present, entitled to vote and voting thereon when such resolution is put to a vote.

(c) The Board of Directors may adopt resolutions, without convening a meeting of the Board of Directors, in writing or in any other manner permitted by the Companies Law.

37. **DELEGATION OF POWERS.**

(a) The Board of Directors may, subject to the provisions of the Companies Law, delegate any or all of its powers to committees (in these Articles referred to as a “**Committee of the Board of Directors**”, or “**Committee**”), each consisting of one or more persons (who may or may not be Directors), and it may from time to time revoke such delegation or alter the composition of any such Committee. Any Committee so formed shall, in the exercise of the powers so delegated, conform to any regulations imposed on it by the Board of Directors, subject to applicable law. No regulation imposed by the Board of Directors on any Committee and no resolution of the Board of Directors shall invalidate any prior act done or pursuant to a resolution by the Committee which would have been valid if such regulation or resolution of the Board of Directors had not been adopted. The meetings and proceedings of any such Committee of the Board of Directors shall, mutatis mutandis, be governed by the provisions herein contained for regulating the meetings of the Board of Directors, to the extent not superseded by any regulations adopted by the Board of Directors. Unless otherwise expressly prohibited by the Board of Directors, in delegating powers to a Committee of the Board of Directors, such Committee shall be empowered to further delegate such powers.

(b) The Board of Directors may from time to time appoint a Secretary to the Company, as well as Officers, agents, employees and independent contractors, as the Board of Directors deems fit, and may terminate the service of any such person. The Board of Directors may, subject to the provisions of the Companies Law, determine the powers and duties, as well as the salaries and compensation, of all such persons.

(c) The Board of Directors may from time to time, by power of attorney or otherwise, appoint any person, company, firm or body of persons to be the attorney or attorneys of the Company at law or in fact for such purposes(s) and with such powers, authorities and discretions, and for such period and subject to such conditions, as it deems fit, and any such power of attorney or other appointment may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Board of Directors deems fit, and may also authorize any such attorney to delegate all or any of the powers, authorities and discretions vested in him or her.

38. **NUMBER OF DIRECTORS.**

(a) The Board of Directors shall consist of such number of Directors (not less than three (3) nor more than eleven (11), including the External Directors, if any were elected) as may be fixed from time to time by resolution of the Board of Directors.

(b) Notwithstanding anything to the contrary herein, this Article 38 may only be amended or replaced by a resolution adopted at a General Meeting by a majority of at least sixty-five percent (65%) of the total voting power of the Company’s shareholders.

39. **ELECTION AND REMOVAL OF DIRECTORS.**

(a) The Directors (excluding the External Directors if any were elected), shall be classified, with respect to the term for which they each severally hold office, into three classes, as nearly equal in number as practicable, hereby designated as Class I, Class II and Class III (each, a “**Class**”). The Board of Directors may assign members of the Board of Directors already in office to such classes at the time such classification becomes effective.

(i) The term of office of the initial Class I directors shall expire at the Annual General Meeting to be held in 2022 and when their successors are elected and qualified,

(ii) The term of office of the initial Class II directors shall expire at the first Annual General Meeting following the Annual General Meeting referred to in clause (i) above and when their successors are elected and qualified, and

(iii) The term of office of the initial Class III directors shall expire at the first Annual General Meeting following the Annual General Meeting referred to in clause (ii) above and when their successors are elected and qualified.

(b) At each Annual General Meeting, commencing with the Annual General Meeting to be held in 2022, each Nominee or Alternate Nominee (each as defined below) elected at such Annual General Meeting to serve as a Director in a Class whose term shall have expired at such Annual General Meeting shall be elected to hold office until the third Annual General Meeting next succeeding his or her election and until his or her respective successor shall have been elected and qualified. Notwithstanding anything to the contrary, each Director shall serve until his or her successor is elected and qualified or until such earlier time as such Director’s office is vacated.

(c) If the number of Directors (excluding External Directors, if any were elected) that comprises the Board of Directors is hereafter changed by the Board of Directors, any newly created directorships or decrease in directorships shall be so apportioned by the Board of Directors among the classes as to make all classes as nearly equal in number as is practicable, provided that no decrease in the number of Directors constituting the Board of Directors shall shorten the term of any incumbent Director.

(d) Prior to every General Meeting of the Company at which Directors are to be elected, and subject to clauses (a) and (h) of this Article, the Board of Directors (or a Committee thereof) shall select, by a resolution adopted by a majority of the Board of Directors (or such Committee), a number of Persons to be proposed to the Shareholders for election as Directors at such General Meeting (the “**Nominees**”).

(e) Any Proposing Shareholder requesting to include on the agenda of a General Meeting a nomination of a Person to be proposed to the Shareholders for election as Director (such person, an “**Alternate Nominee**”), may so request provided that it complies with this Article 39(e), Article 25 and applicable law. Unless otherwise determined by the Board of Directors, a Proposal Request relating to an Alternate Nominee is deemed to be a matter that is appropriate to be considered only at an Annual General Meeting. In addition to any information required to be included in accordance with applicable law, such a Proposal Request shall include information required pursuant to Article 25, and shall also set forth: (i) the name, address, telephone number, fax number and email address of the Alternate Nominee and all citizenships and residencies of the Alternate Nominee; (ii) a description of all arrangements, relations or understandings during the past three (3) years, and any other material relationships, between the Proposing Shareholder(s) or any of its affiliates and each Alternate Nominee; (iii) a declaration signed by the Alternate Nominee that he or she consents to be named in the Company’s notices and proxy materials and on the Company’s proxy card relating to the General Meeting, if provided or published, and that he or she, if elected, consents to serve on the Board of Directors and to be named in the Company’s disclosures and filings; (iv) a declaration signed by each Alternate Nominee as required under the Companies Law and any other applicable law and

stock exchange rules and regulations for the appointment of such an Alternate Nominee and an undertaking that all of the information that is required under law and stock exchange rules and regulations to be provided to the Company in connection with such an appointment has been provided (including, information in respect of the Alternate Nominee as would be provided in response to the applicable disclosure requirements under Form 20-F (or Form 10-K, if applicable) or any other applicable form prescribed by the U.S. Securities and Exchange Commission (the “SEC”)); (v) a declaration made by the Alternate Nominee of whether he or she meets the criteria for an independent director and, if applicable, External Director of the Company under the Companies Law and/or under any applicable law, regulation or stock exchange rules, and if not, then an explanation of why not; and (vi) any other information required at the time of submission of the Proposal Request by applicable law, regulations or stock exchange rules. In addition, the Proposing Shareholder(s) and each Alternate Nominee shall promptly provide any other information reasonably requested by the Company, including a duly completed director and officer questionnaire, in such form as may be provided by the Company, with respect to each Alternate Nominee. The Board of Directors may refuse to acknowledge the nomination of any person not made in compliance with the foregoing. The Company shall be entitled to publish any information provided by a Proposing Shareholder or Alternate Nominee pursuant to this Article 39(e) and Article 25, and the Proposing Shareholder and Alternate Nominee shall be responsible for the accuracy and completeness thereof.

(f) The Nominees or Alternate Nominees shall be elected by a resolution adopted at the General Meeting at which they are subject to election. Notwithstanding Articles 25(a) and 25(c), in the event of a Contested Election, the method of calculation of the votes and the manner in which the resolutions will be presented to the General Meeting shall be determined by the Board of Directors in its discretion. In the event that the Board of Directors does not or is unable to make a determination on such matter, then the method described in clause (ii) below shall apply. The Board of Directors may consider, among other things, the following methods: (i) election of competing slates of Director nominees (determined in a manner approved by the Board of Directors) by a majority of the voting power represented at the General Meeting in person or by proxy and voting on such competing slates, (ii) election of individual Directors by a plurality of the voting power represented at the General Meeting in person or by proxy and voting on the election of Directors (which shall mean that the nominees receiving the largest number of “for” votes will be elected in such Contested Election), (iii) election of each nominee by a majority of the voting power represented at the General Meeting in person or by proxy and voting on the election of Directors, provided that if the number of such nominees exceeds the number of Directors to be elected, then as among such nominees the election shall be by plurality of the voting power as described above, and (iv) such other method of voting as the Board of Directors deems appropriate, including use of a “universal proxy card” listing all Nominees and Alternate Nominees by the Company. For the purposes of these Articles, election of Directors at a General Meeting shall be considered a “Contested Election” if the aggregate number of Nominees and Alternate Nominees at such meeting exceeds the total number of Directors to be elected at such meeting, with the determination thereof being made by the Secretary (or, in the absence thereof, by the Chief Executive Officer of the Company) as of the close of the applicable notice of nomination period under Article 25 or under applicable law, based on whether one or more notice(s) of nomination were timely filed in accordance with Article 25, this Article 39 and applicable law; provided, however, that the determination that an election is a Contested Election shall not be determinative as to the validity of any such notice of nomination; and provided, further, that, if, prior to the time the Company mails its initial proxy statement in connection with such election of Directors, one or more notices of nomination of an Alternate Nominee are withdrawn such that the number of candidates for election as Director no longer exceeds the number of Directors to be elected, the election shall not be considered a Contested Election. Shareholders shall not be entitled to cumulative voting in the election of Directors, except to the extent specifically set forth in this clause (f).

(g) Notwithstanding anything to the contrary herein, this Article 39 and Article 42(e) may only be amended, replaced or suspended by a resolution adopted at a General Meeting by a majority of at least sixty-five percent (65%) of the total voting power of the Company's shareholders.

(h) Notwithstanding anything to the contrary in these Articles, the election, qualification, removal or dismissal of External Directors, if so elected, shall be only in accordance with the applicable provisions set forth in the Companies Law.

40. **COMMENCEMENT OF DIRECTORSHIP.**

Without derogating from Article 39, the term of office of a Director shall commence as of the date of his or her appointment or election, or on a later date if so specified in his or her appointment or election.

41. **CONTINUING DIRECTORS IN THE EVENT OF VACANCIES.**

The Board of Directors (and, if so determined by the Board of Directors, the General Meeting) may at any time and from time to time appoint any person as a Director to fill a vacancy (whether such vacancy is due to a Director no longer serving or due to the number of Directors serving being less than the maximum number stated in Article 38 hereof). In the event of one or more such vacancies in the Board of Directors, the continuing Directors may continue to act in every matter, provided, however, that if the number of Directors serving is less than the minimum number provided for pursuant to Article 38 hereof, they may only act in an emergency or to fill the office of a Director which has become vacant up to a number equal to the minimum number provided for pursuant to Article 38 hereof, or in order to call a General Meeting of the Company for the purpose of electing Directors to fill any or all vacancies. The office of a Director that was appointed by the Board of Directors to fill any vacancy shall only be for the remaining period of time during which the Director whose service has ended was filled would have held office, or in case of a vacancy due to the number of Directors serving being less than the maximum number stated in Article 38 hereof the Board of Directors shall determine at the time of appointment the Class pursuant to Article 39 to which the additional Director shall be assigned. Notwithstanding anything to the contrary herein, this Article 41 may only be amended, replaced or suspended by a resolution adopted at a General Meeting by a majority of at least sixty-five percent (65%) of the total voting power of the Company's shareholders.

42. **VACATION OF OFFICE.**

The office of a Director shall be vacated and he shall be dismissed or removed:

- (a) ipso facto, upon his or her death;
- (b) if he or she is prevented by applicable law from serving as a Director;
- (c) if the Board of Directors determines that due to his or her mental or physical state he or she is unable to serve as a director;
- (d) if his or her directorship expires pursuant to these Articles and/or applicable law;
- (e) by a resolution adopted at a General Meeting by a majority of at least sixty-five percent (65%) of the total voting power of the Shareholders (with such removal becoming effective on the date fixed in such resolution);
- (f) by his or her written resignation, such resignation becoming effective on the date fixed therein, or upon the delivery thereof to the Company, whichever is later; or
- (g) with respect to an External Director, if so elected, and notwithstanding anything to the contrary herein, only pursuant to applicable law.

43. **CONFLICT OF INTERESTS; APPROVAL OF RELATED PARTY TRANSACTIONS.**

(a) Subject to the provisions of applicable law and these Articles, no Director shall be disqualified by virtue of his or her office from holding any office or place of profit in the Company or in any company in which the Company shall be a shareholder or otherwise interested, or from contracting with the Company as vendor, purchaser or otherwise, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Company in which any Director shall be in any way interested, be avoided, nor, other than as required under the Companies Law, shall any Director be liable to account to the Company for any profit arising from any such office or place of profit or realized by any such contract or arrangement by reason only of such Director's holding that office or of the fiduciary relations thereby established, but the nature of his or her interest, as well as any material fact or document, must be disclosed by him or her at the meeting of the Board of Directors at which the contract or arrangement is first considered, if his or her interest then exists, or, in any other case, at no later than the first meeting of the Board of Directors after the acquisition of his or her interest.

(b) Subject to the Companies Law and these Articles, a transaction between the Company and an Office Holder, and a transaction between the Company and another entity in which an Office Holder of the Company has a personal interest, in each case, which is not an Extraordinary Transaction (as defined by the Companies Law), shall require only approval by the Board of Directors or a Committee of the Board of Directors. Such authorization, as well as the actual approval, may be for a particular transaction or more generally for specific type of transactions.

**PROCEEDINGS OF THE BOARD OF DIRECTORS**

44. **MEETINGS.**

(a) The Board of Directors may meet and adjourn its meetings and otherwise regulate such meetings and proceedings as the Board of Directors thinks fit.

(b) A meeting of the Board of Directors shall be convened by the Secretary upon instruction of the Chairperson or upon a request of at least two Directors which is submitted to the Chairperson or in any event that such meeting is required by the provisions of the Companies Law. In the event that the Chairperson does not instruct the Secretary to convene a meeting upon a request of at least two (2) Directors within seven (7) days of such request, then such two Directors may convene a meeting of the Board of Directors. Any meeting of the Board of Directors shall be convened upon not less than two (2) days' notice, unless such notice is waived in writing by all of the Directors as to a particular meeting or by their attendance at such meeting or unless the matters to be discussed at such meeting are of such urgency and importance that notice is reasonably determined by the Chairperson as ought to be waived or shortened under the circumstances.

(c) Notice of any such meeting shall be given orally, by telephone, in writing or by mail, facsimile, email or such other means of delivery of notices as the Company may apply, from time to time.

(d) Notwithstanding anything to the contrary herein, failure to deliver notice to a Director of any such meeting in the manner required hereby may be waived by such Director, and a meeting shall be deemed to have been duly convened notwithstanding such defective notice if such failure or defect is waived prior to action being taken at such meeting, by all Directors entitled to participate at such meeting to whom notice was not duly given as aforesaid. Without derogating from the foregoing, no Director present at any time during a meeting of the Board of Directors shall be entitled to seek the cancellation or invalidation of any proceedings or resolutions adopted at such meeting on account of any defect in the notice of such meeting relating to the date, time or the place thereof or the convening of the meeting.

45. **QUORUM.**

Until otherwise unanimously decided by the Board of Directors, a quorum at a meeting of the Board of Directors shall be constituted by the presence in person or by any means of communication of a majority of the Directors then in office who are lawfully entitled to participate and vote in the meeting. No business shall be transacted at a meeting of the Board of Directors unless the requisite quorum is present (in person or by any means of communication on the condition that all participating Directors can hear each other simultaneously) when the meeting proceeds to business. If within thirty (30) minutes from the time appointed for a meeting of the Board of Directors a quorum is not present, the meeting shall stand adjourned at the same place and time forty-eight (48) hours thereafter unless the Chairperson has determined that there is such urgency and importance that a shorter period is required under the circumstances. If an adjourned meeting is convened in accordance with the foregoing and a quorum is not present within thirty (30) minutes of the announced time, the requisite quorum at such adjourned meeting shall be, any two (2) Directors, if the number of Directors then serving is up to five (5), and any three (3) Directors, if the number of Directors then serving is more than five (5), in each case who are lawfully entitled to participate in the meeting and who are present at such adjourned meeting. At an adjourned meeting of the Board of Directors the only matters to be considered shall be those matters which might have been lawfully considered at the meeting of the Board of Directors originally called if a requisite quorum had been present, and the only resolutions to be adopted are such types of resolutions which could have been adopted at the meeting of the Board of Directors originally called.

46. **CHAIRPERSON OF THE BOARD OF DIRECTORS.**

The Board of Directors shall, from time to time, elect one of its members to be the Chairperson of the Board of Directors, remove such Chairperson from office and appoint in his or her place. The Chairperson of the Board of Directors shall preside at every meeting of the Board of Directors, but if there is no such Chairperson, or if at any meeting he is not present within fifteen (15) minutes of the time fixed for the meeting or if he is unwilling to take the chair, the Directors present shall choose one of the Directors present at the meeting to be the Chairperson of such meeting. The office of Chairperson of the Board of Directors shall not, by itself, entitle the holder to a second or casting vote.

47. **VALIDITY OF ACTS DESPITE DEFECTS.**

All acts done or transacted at any meeting of the Board of Directors, or of a Committee of the Board of Directors, or by any person(s) acting as Director(s), shall, notwithstanding that it may afterwards be discovered that there was some defect in the appointment of the participants in such meeting or any of them or any person(s) acting as aforesaid, or that they or any of them were disqualified, be as valid as if there were no such defect or disqualification.

**CHIEF EXECUTIVE OFFICER**

48. **CHIEF EXECUTIVE OFFICER.**

The Board of Directors shall from time to time appoint one or more persons, whether or not Directors, as Chief Executive Officer of the Company who shall have the powers and authorities set forth in the Companies Law, and may confer upon such person(s), and from time to time modify or revoke, such titles and such duties and authorities of the Board of Directors as the Board of Directors may deem fit, subject to such limitations and restrictions as the Board of Directors may from time to time prescribe. Such appointment(s) may be either for a fixed term or without any limitation of time, and the Board of Directors may from time to time (subject to any additional approvals required under, and the provisions of, the Companies Law and of any contract between any such person and the Company) fix their salaries and compensation, remove or dismiss them from office and appoint another or others in his, her or their place or places.

## MINUTES

### 49. MINUTES.

Any minutes of the General Meeting or the Board of Directors or any Committee thereof, if purporting to be signed by the Chairperson of the General Meeting, the Board of Directors or a Committee thereof, as the case may be, or by the Chairperson of the next succeeding General Meeting, meeting of the Board of Directors or meeting of a Committee, as the case may be, shall constitute prima facie evidence of the matters recorded therein.

## DIVIDENDS

### 50. DECLARATION OF DIVIDENDS.

The Board of Directors may, from time to time, declare, and cause the Company to pay dividends as permitted by the Companies Law. The Board of Directors shall determine the time for payment of such dividends and the record date for determining the shareholders entitled thereto.

### 51. AMOUNT PAYABLE BY WAY OF DIVIDENDS.

Subject to the provisions of these Articles and subject to the rights or conditions attached at that time to any share in the capital of the Company granting preferential, special or deferred rights or not granting any rights with respect to dividends, any dividend paid by the Company shall be allocated among the Shareholders (not in default in payment of any sum referred to in Article 13 hereof) entitled thereto on a *pari passu* basis in proportion to their respective holdings of the issued and outstanding Shares in respect of which such dividends are being paid.

### 52. INTEREST.

No dividend shall carry interest as against the Company.

### 53. PAYMENT IN SPECIE.

If so declared by the Board of Directors, a dividend declared in accordance with Article 50 may be paid, in whole or in part, by the distribution of specific assets of the Company or by distribution of paid up shares, debentures or other securities of the Company or of any other companies, or in any combination thereof, in each case, the fair value of which shall be determined by the Board of Directors in good faith.

### 54. IMPLEMENTATION OF POWERS.

The Board of Directors may settle, as it deems fit, any difficulty arising with regard to the distribution of dividends, bonus shares or otherwise, and in particular, to issue certificates for fractions of shares and sell such fractions of shares in order to pay their consideration to those entitled thereto, or to set the value for the distribution of certain assets and to determine that cash payments shall be paid to the Shareholders on the basis of such value, or that fractions whose value is less than NIS 0.01 shall not be taken into account. The Board of Directors may instruct to pay cash or convey these certain assets to a trustee in favor of those people who are entitled to a dividend, as the Board of Directors shall deem appropriate.

### 55. DEDUCTIONS FROM DIVIDENDS.

The Board of Directors may deduct from any dividend or other moneys payable to any Shareholder in respect of a share any and all sums of money then payable by him or her to the Company on account of calls or otherwise in respect of shares of the Company and/or on account of any other matter of transaction whatsoever.

### 56. RETENTION OF DIVIDENDS.

(a) The Board of Directors may retain any dividend or other moneys payable or property distributable in respect of a share on which the Company has a lien, and may apply the same in or toward satisfaction of the debts, liabilities, or engagements in respect of which the lien exists.



(b) The Board of Directors may retain any dividend or other moneys payable or property distributable in respect of a share in respect of which any person is, under Articles 21 or 22, entitled to become a Shareholder, or which any person is, under said Articles, entitled to transfer, until such person shall become a Shareholder in respect of such share or shall transfer the same.

57. **UNCLAIMED DIVIDENDS.**

All unclaimed dividends or other moneys payable in respect of a share may be invested or otherwise made use of by the Board of Directors for the benefit of the Company until claimed. The payment of any unclaimed dividend or such other moneys into a separate account shall not constitute the Company a trustee in respect thereof, and any dividend unclaimed after a period of one (1) year (or such other period determined by the Board of Directors) from the date of declaration of such dividend, and any such other moneys unclaimed after a like period from the date the same were payable, shall be forfeited and shall revert to the Company, provided, however, that the Board of Directors may, at its discretion, cause the Company to pay any such dividend or such other moneys, or any part thereof, to a person who would have been entitled thereto had the same not reverted to the Company. The principal (and only the principal) of any unclaimed dividend of such other moneys shall be if claimed, paid to a person entitled thereto.

58. **MECHANICS OF PAYMENT.**

Any dividend or other moneys payable in cash in respect of a share, less the tax required to be withheld pursuant to applicable law, may, as determined by the Board of Directors in its sole discretion, be paid by check or warrant sent through the post to, or left at, the registered address of the person entitled thereto or by transfer to a bank account specified by such person (or, if two or more persons are registered as joint holders of such share or are entitled jointly thereto in consequence of the death or bankruptcy of the holder or otherwise, to any one of such Persons or his or her bank account or the person who the Company may then recognize as the owner thereof or entitled thereto under Article 21 or 22 hereof, as applicable, or such person's bank account), or to such person and at such other address as the person entitled thereto may by writing direct, or in any other manner the Board of Directors deems appropriate. Every such check or warrant or other method of payment shall be made payable to the order of the person to whom it is sent, or to such person as the person entitled thereto as aforesaid may direct, and payment of the check or warrant by the banker upon whom it is drawn shall be a good discharge to the Company. Every such check shall be sent at the risk of the Person entitled to the money represented thereby.

## ACCOUNTS

59. **BOOKS OF ACCOUNT.**

The Company's books of account shall be kept at the Office of the Company, or at such other place or places as the Board of Directors may think fit, and they shall always be open to inspection by all Directors. No shareholder, not being a Director, shall have any right to inspect any account or book or other similar document of the Company, except as explicitly conferred by law or authorized by the Board of Directors. The Company shall make copies of its annual financial statements available for inspection by the Shareholders at the principal offices of the Company. The Company shall not be required to send copies of its annual financial statements to the Shareholders.

60. **AUDITORS.**

The appointment, authorities, rights and duties of the auditor(s) of the Company, shall be regulated by applicable law, provided, however, that in exercising its authority to fix the remuneration of the auditor(s), the Shareholders in General Meeting may act (and in the absence of any action in connection therewith shall be deemed to have so acted) to authorize the Board of Directors (with right of delegation to a Committee thereof or to management) to fix such

remuneration subject to such criteria or standards, and if no such criteria or standards are so provided, such remuneration shall be fixed in an amount commensurate with the volume and nature of the services rendered by such auditor(s). The General Meeting may, if so recommended by the Board of Directors, appoint the auditors for a period that may extend until the third Annual General Meeting after the Annual General Meeting in which the auditors were appointed.

61. **FISCAL YEAR.**

The fiscal year of the Company shall be the 12 months period ending on December 31 of each calendar year.

**SUPPLEMENTARY REGISTERS**

62. **SUPPLEMENTARY REGISTERS.**

Subject to and in accordance with the provisions of Sections 138 and 139 of the Companies Law, the Company may cause supplementary registers to be kept in any place outside Israel as the Board of Directors may think fit, and, subject to all applicable requirements of law, the Board of Directors may from time to time adopt such rules and procedures as it may think fit in connection with the keeping of such branch registers.

**EXEMPTION, INDEMNITY AND INSURANCE**

63. **INSURANCE.**

Subject to the provisions of the Companies Law with regard to such matters, the Company may enter into a contract for the insurance of the liability, in whole or in part, of any of its Office Holders imposed on such Office Holder due to an act performed by or an omission of the Office Holder in the Office Holder's capacity as an Office Holder of the Company arising from any matter permitted by law, including the following:

- (a) a breach of duty of care to the Company or to any other person;
- (b) a breach of his or her duty of loyalty to the Company, provided that the Office Holder acted in good faith and had reasonable grounds to assume that act that resulted in such breach would not prejudice the interests of the Company;
- (c) a financial liability imposed on such Office Holder in favor of any other person; and
- (d) any other event, occurrence, matters or circumstances under any law with respect to which the Company may, or will be able to, insure an Office Holder, and to the extent such law requires the inclusion of a provision permitting such insurance in these Articles, then such provision is deemed to be included and incorporated herein by reference (including, without limitation, in accordance with Section 56h(b)(1) of the Securities Law, if and to the extent applicable, and Section 50P of the Economic Competition Law).

64. **INDEMNITY.**

(a) Subject to the provisions of the Companies Law, the Company may retroactively indemnify an Office Holder of the Company to the maximum extent permitted under applicable law, including with respect to the following liabilities and expenses, provided that such liabilities or expenses were imposed on such Office Holder or incurred by such Office Holder due to an act performed by or an omission of the Office Holder in such Office Holder's capacity as an Office Holder of the Company:

- (i) a financial liability imposed on an Office Holder in favor of another person by any court judgment, including a judgment given as a result of a settlement or an arbitrator's award which has been confirmed by a court;

(ii) reasonable litigation expenses, including legal fees, expended by the Office Holder (A) as a result of an investigation or proceeding instituted against him or her by an authority authorized to conduct such investigation or proceeding, provided that (1) no indictment (as defined in the Companies Law) was filed against such Office Holder as a result of such investigation or proceeding; and (2) no financial liability in lieu of a criminal proceeding (as defined in the Companies Law) was imposed upon him or her as a result of such investigation or proceeding or if such financial liability was imposed, it was imposed with respect to an offense that does not require proof of criminal intent, or (B) in connection with a financial sanction;

(iii) reasonable litigation costs, including legal fees, expended by an Office Holder or which were imposed on an Office Holder by a court in proceedings filed against the Office Holder by the Company or in its name or by any other person or in a criminal charge in respect of which the Office Holder was acquitted or in a criminal charge in respect of which the Office Holder was convicted for an offence which did not require proof of criminal intent; and

(iv) any other event, occurrence, matter or circumstance under any law with respect to which the Company may, or will be able to, indemnify an Office Holder, and to the extent such law requires the inclusion of a provision permitting such indemnity in these Articles, then such provision is deemed to be included and incorporated herein by reference (including, without limitation, in accordance with Section 56h(b)(1) of the Israeli Securities Law, if and to the extent applicable, and Section 50P(b)(2) of the RTP Law).

(b) Subject to the provisions of the Companies Law, the Company may undertake to indemnify an Office Holder, in advance, with respect to those liabilities and expenses described in the following Articles:

(i) Sub-Article 64(a)(ii) to 64(a)(iv); and

(ii) Sub-Article 64(a)(i), provided that:

(1) the undertaking to indemnify is limited to such events which the Directors shall deem to be foreseeable in light of the operations of the Company at the time that the undertaking to indemnify is made and for such amounts or criterion which the Directors may, at the time of the giving of such undertaking to indemnify, deem to be reasonable under the circumstances; and

(2) the undertaking to indemnify shall set forth such events which the Directors shall deem to be foreseeable in light of the operations of the Company at the time that the undertaking to indemnify is made, and the amounts and/or criterion which the Directors may, at the time of the giving of such undertaking to indemnify, deem to be reasonable under the circumstances.

65. **EXEMPTION.**

Subject to the provisions of the Companies Law, the Company may, to the maximum extent permitted by law, exempt and release, in advance, any Office Holder from any liability for damages arising out of a breach of a duty of care.

66. **GENERAL.**

(a) Any amendment to the Companies Law or any other applicable law adversely affecting the right of any Office Holder to be indemnified, insured or exempt pursuant to Articles 63 to 65 and any amendments to Articles 63 to 65 shall be prospective in effect, and shall not affect the Company's obligation or ability to indemnify, insure or exempt an Office Holder for any act or omission occurring prior to such amendment, unless otherwise provided by applicable law.

(b) The provisions of Articles 63 to 65 (i) shall apply to the maximum extent permitted by law (including, the Companies Law, the Securities Law and the Economic Competition Law); and (ii) are not intended, and shall not be interpreted so as to restrict the Company, in any manner, in respect of the procurement of insurance and/or in respect of indemnification (whether in advance or retroactively) and/or exemption, in favor of any person who is not an Office Holder, including, without limitation, any employee, agent, consultant or contractor of the Company who is not an Office Holder; and/or any Office Holder to the extent that such insurance and/or indemnification is not specifically prohibited under law.

#### **LOCK –UP**

67. **LOCK-UP.**

Notwithstanding anything to the contrary herein, and subject only to the exceptions set forth in Article 68, other than with the written consent of the Company, each Shareholder as of immediately prior to the time these Articles have become effective (but after giving effect to the stock split as contemplated pursuant to the Business Combination Agreement, dated as of May 25, 2021, by and among the Company, Valens Merger Sub, Inc., a Delaware corporation, and PTK Acquisition Corp., a Delaware corporation (“SPAC”)) (such time, the “Lock-Up Effective Time,” and each such Shareholder, a “Locked-Up Shareholder”) shall not be entitled to Transfer any Shares held by such Locked-Up Shareholder as of immediately prior to the Lock-Up Effective Time and any Ordinary Shares issuable upon conversion or exercise of warrants, options or any other instrument held by the Holders as of immediately prior to the Closing (“Locked-Up Shares”) or any instruments exercisable or exchangeable for, or convertible into, such Locked-Up Shares, in each case until a date that is one hundred and eighty (180) days following the Lock-Up Effective Time (the “Lock-Up Period”). “Transfer” shall mean, directly or indirectly, the (x) sale or assignment of, offer to sell, contract or agreement to sell, hypothecate, pledge, grant of any option to purchase or otherwise dispose of or agreement to dispose of or establishment or increase of a put equivalent position or liquidation with respect to or decrease of a call equivalent position within the meaning of Section 16 of the Exchange Act with respect to, the Locked-Up Shares, (y) entry into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of, or any other derivative transaction with respect to, the Locked-Up Shares, whether any such transaction is to be settled by delivery of such Locked-Up Shares, in cash or otherwise, or (z) public announcement of any intention to effect any transaction specified in clause (x) or (y).

68. **PERMITTED TRANSFERS.**

Each Locked-Up Shareholder and its Permitted Transferees may Transfer the Locked-up Shares during the Lock-up Period (a) to (i) such Locked-Up Shareholder’s officers or directors, (ii) any affiliates or family members of such Locked-Up Shareholder’s officers or directors, (iii) any members or partners, shareholder or other equity holder of such Locked-Up Shareholder or their affiliates, or (iv) any affiliates of such Locked-Up Shareholder or any employees of any such affiliates; (b) in the case of an individual, (I) by gift to a member of the individual’s immediate family or to a trust, the beneficiary of which is a member of the individual’s immediate family or an affiliate of such person or entity, (II) by virtue of laws of descent and distribution upon death of the individual and (III) pursuant to a qualified domestic relations order; (c) by virtue of such Locked-Up Shareholder’s certificate of incorporation or bylaws (or equivalent), as amended, upon dissolution of such Locked-Up Shareholder; (d) in connection with a bona fide gift or charitable contribution without consideration; (e) with the written consent of the Board of Directors; (f) in connection with a liquidation, merger, stock exchange, reorganization, tender offer or other similar transaction, in each case in this clause (f) as approved by the Board of Directors or a duly authorized committee thereof, which results in all of the Company’s Shareholders having the right to exchange their Shares for cash, securities or other property subsequent to the Lock-Up Effective Time (collectively, the “Permitted Transferees”); *provided, however*, that in the case of clauses (a) through (d) such Permitted Transferees continue to be subject to these Articles with respect to any Locked-up Shares.

## WINDING UP

### 69. WINDING UP.

If the Company is wound up, then, subject to applicable law and to the rights of the holders of shares with special rights upon winding up, the assets of the Company available for distribution among the Shareholders shall be distributed to them in proportion to the number of issued and outstanding shares held by each Shareholder.

## NOTICES

### 70. NOTICES.

- (a) Any written notice or other document may be served by the Company upon any Shareholder either personally, by facsimile, email or other electronic transmission, or by sending it by prepaid mail (airmail if sent internationally) addressed to such Shareholder at his or her address as described in the Register of Shareholders or such other address as the Shareholder may have designated in writing for the receipt of notices and other documents.
- (b) Any written notice or other document may be served by any Shareholder upon the Company by tendering the same in person to the Secretary or the Chief Executive Officer of the Company at the principal office of the Company, by facsimile transmission, or by sending it by prepaid registered mail (airmail if posted outside Israel) to the Company at its Office.
- (c) Any such notice or other document shall be deemed to have been served:
- (i) in the case of mailing, forty-eight (48) hours after it has been posted, or when actually received by the addressee if sooner than forty-eight hours after it has been posted, or
  - (ii) in the case of overnight air courier, on the next business day following the day sent, with receipt confirmed by the courier, or when actually received by the addressee if sooner than three business days after it has been sent;
  - (iii) in the case of personal delivery, when actually tendered in person, to such addressee;
  - (iv) in the case of facsimile, email or other electronic transmission, on the first business day (during normal business hours in place of addressee) on which the sender receives automatic electronic confirmation by the addressee's facsimile machine that such notice was received by the addressee or delivery confirmation from the addressee's email or other communication server.
- (d) If a notice is, in fact, received by the addressee, it shall be deemed to have been duly served, when received, notwithstanding that it was defectively addressed or failed, in some other respect, to comply with the provisions of this Article 70.
- (e) All notices to be given to the Shareholders shall, with respect to any share to which persons are jointly entitled, be given to whichever of such persons is named first in the Register of Shareholders, and any notice so given shall be sufficient notice to the holders of such share.
- (f) Any Shareholder whose address is not described in the Register of Shareholders, and who shall not have designated in writing an address for the receipt of notices, shall not be entitled to receive any notice from the Company.
- (g) Notwithstanding anything to the contrary contained herein, notice by the Company of a General Meeting, containing the information required by applicable law and these Articles to be set forth therein, which is published, within the time otherwise required for giving notice of such meeting, in either or several of the following manners (as applicable) shall be deemed to be notice of such meeting duly given, for the purposes of these Articles, to any Shareholder whose address as registered in the Register of Shareholders (or as designated in writing for the receipt of notices and other documents) is located either inside or outside the State of Israel:

(i) if the Company's shares are then listed for trading on a national securities exchange in the United States or quoted in an over-the-counter market in the United States, publication of notice of a General Meeting pursuant to a report or a schedule filed with, or furnished to, the SEC pursuant to the Securities Exchange Act of 1934, as amended; and/or

(ii) on the Company's internet site.

(h) The mailing or publication date and the record date and/or date of the meeting (as applicable) shall be counted among the days comprising any notice period under the Companies Law and the regulations thereunder.

#### AMENDMENT

71. **AMENDMENT.**

Any amendment of these Articles shall require, in addition to the approval of the General Meeting of shareholders in accordance with these Articles, also the approval of the Board of Directors with the affirmative vote of a majority of the then serving Directors.

#### FORUM FOR ADJUDICATION OF DISPUTES

72. **FORUM FOR ADJUDICATION OF DISPUTES.**

(a) Unless the Company consents in writing to the selection of an alternative forum, the federal district courts of the United States of America, shall be the exclusive forum for the resolution of any complaint asserting a cause or causes of action arising under the U.S. Securities Act of 1933, as amended, including all causes of action asserted against any defendant to such complaint. For the avoidance of doubt, this provision is intended to benefit and may be enforced by the Company, its officers and directors, the underwriters to any offering giving rise to such complaint, and any other professional or entity whose profession gives authority to a statement made by that person or entity and who has prepared or certified any part of the documents underlying the offering. The foregoing provisions of this Article 72 shall not apply to causes of action arising under the U.S. Securities Exchange Act of 1934, as amended.

(b) Unless the Company consents in writing to the selection of an alternative forum, the competent courts in Tel Aviv, Israel shall be the exclusive forum for (i) any derivative action or proceeding brought on behalf of the Company, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Company to the Company or the Company's shareholders, or (iii) any action asserting a claim arising pursuant to any provision of the Companies Law or the Securities Law.

(c) Any person or entity purchasing or otherwise acquiring or holding any interest in shares of the Company shall be deemed to have notice of and consented to the provisions of this Article 72.

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## DESCRIPTION OF SECURITIES

### Description of Valens Ordinary Shares

#### *General*

This section summarizes the material rights of the combined company shareholders under Israeli law, and the material provisions of the combined company's amended articles that will become effective upon the effectiveness of the Business Combination.

#### *Share Capital*

The authorized share capital of Valens consists of 700,000,000 Valens ordinary shares, no par value per share. As of December 31, 2021 we had 98,128,655 ordinary shares issued and outstanding.

All of the outstanding Valens ordinary shares are validly issued, fully paid and non-assessable. The Valens ordinary shares are not redeemable and do not have any preemptive rights.

Valens' board of directors may determine the issue prices and terms for such shares or other securities, and may further determine any other provision relating to such issue of shares or securities. Valens may also issue and redeem redeemable securities on such terms and in such manner as Valens' board of directors shall determine.

The following descriptions of share capital and provisions of the Amended and Restated Articles of Association are summaries and are qualified by reference to our Amended and Restated Articles of Association.

#### *Registration Number and Purposes of the Company*

We are registered with the Israeli Registrar of Companies. Our registration number is 513887042. Our affairs are governed by our Amended and Restated Articles of Association, applicable Israeli law and specifically, the Companies Law. Our purpose as set forth in our Amended and Restated Articles of Association is to engage in any lawful act or activity.

#### *Voting Rights*

All Valens Ordinary Shares have identical voting and other rights in all respects.

#### *Transfer of Shares*

Our fully paid Valens ordinary shares are issued in registered form and may be freely transferred under our Amended and Restated Articles of Association unless the transfer is restricted or prohibited by another instrument, applicable law or the rules of the New York Stock Exchange. The ownership or voting of Valens ordinary shares by non-residents of Israel is not restricted in any way by our Amended and Restated Articles of Association or the laws of the State of Israel, except for ownership by nationals of some countries that are, have been, or will be, in a state of war with Israel.

#### *Election of Directors*

Under our Amended and Restated Articles of Association, our board of directors must consist of not less than three but no more than eleven directors. Pursuant to our Amended and Restated Articles of Association, each of our directors will be appointed by a simple majority vote of holders of Valens ordinary shares, participating and voting at an annual general meeting of our shareholders, provided that (i) in the event of a contested election, the method of calculation of the votes and the manner in which the resolutions will be presented to our shareholders at the general meeting shall be determined by our board of directors in its discretion, and (ii) in the event that our board of directors does not or is unable to make a determination on such matter, then the directors will be elected by a plurality of the voting power represented at the general meeting in person or by proxy and voting on the election of directors.

In addition, our directors are divided into three classes, one class being elected each year at the annual general meeting of our shareholders, and serve on our board of directors until the third annual general meeting following such election or re-election or until they are removed by a vote of 65% of the total voting power of our shareholders at a general meeting of our shareholders or upon the occurrence of certain events in accordance with the Companies Law and our Amended and Restated Articles of Association. In addition, our Amended and Restated Articles of Association provide those vacancies on our board of directors may be filled by a vote of a simple majority of the

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directors then in office. A director so appointed will hold office until the next annual general meeting of our shareholders for the election of the class of directors in respect of which the vacancy was created, or in the case of a vacancy due to the number of directors being less than the maximum number of directors stated in our Amended and Restated Articles of Association, until the next annual general meeting of our shareholders for the election of the class of directors to which such director was assigned by our board of directors.

### ***Dividend and Liquidation Rights***

Valens may declare a dividend to be paid to the holders of Valens ordinary shares in proportion to their respective shareholdings. Under the Companies Law, dividend distributions are determined by the board of directors and do not require the approval of the shareholders of a company unless the company's articles of association provide otherwise. Our Amended and Restated Articles of Association do not require shareholder approval of a dividend distribution and provide that dividend distributions may be determined by our board of directors.

Pursuant to the Companies Law, the distribution amount is limited to the greater of retained earnings or earnings generated over the previous two years, according to the company's most recently reviewed or audited financial statements (less the amount of previously distributed dividends, if not reduced from the earnings), provided that the end of the period to which the financial statements relate is not more than six months prior to the date of the distribution. If we do not meet such criteria, then we may distribute dividends only with court approval. In each case, we are only permitted to distribute a dividend if our board of directors and, if applicable, the court determines that there is no reasonable concern that payment of the dividend will prevent us from satisfying our existing and foreseeable obligations as they become due.

In the event of Valens' liquidation, after satisfaction of liabilities to creditors, its assets will be distributed to the holders of Valens ordinary shares in proportion to their shareholdings. This right, as well as the right to receive dividends, may be affected by the grant of preferential dividend or distribution rights to the holders of a class of shares with preferential rights which may be authorized in the future.

### ***Exchange Controls***

There are currently no Israeli currency control restrictions on remittances of dividends on Valens ordinary shares, proceeds from the sale of the Valens ordinary shares or interest or other payments to non-residents of Israel, except for shareholders who are subjects of countries that at the time are or have been in a state of war with Israel.

### ***Registration Rights***

Concurrently with the execution of the Business Combination Agreement, Valens, the Sponsor and certain shareholders of Valens entered into the Investors' Rights Agreement pursuant to which, following completion of the Transactions, Valens agreed to register for resale upon demand certain Valens ordinary shares that are held by the parties thereto from time to time. In certain circumstances, various parties to the Investors' Rights Agreement will also be entitled to customary piggyback registration rights, in each case subject to certain limitations set forth in the Investors' Rights Agreement. In addition, the Investors' Rights Agreement provides that Valens will pay certain expenses relating to such registrations and indemnify the shareholders against certain liabilities. The rights granted under the Investors' Rights Agreement supersede any prior registration, qualification, or similar rights of the parties with respect to Valens securities, and all such prior agreements shall be terminated.

Additionally, under the Investors' Rights Agreement, each of the shareholders of Valens party thereto (other than the Sponsor) have agreed not to transfer its Valens ordinary shares, except to certain permitted transferees, beginning on the closing date of the Business Combination and continuing for a period of one hundred eighty (180) days thereafter (i.e., until March 28<sup>th</sup>, 2022). The Sponsor has agreed not to transfer the Sponsor Lock-Up Shares except to certain permitted transferees, beginning on the closing date of the Business Combination and continuing until the earlier of (i) one hundred eighty (180) days thereafter and (ii) when Valens completes a liquidation, merger, share exchange, reorganization or other similar transaction that results in all Valens shareholders having the right to exchange their ordinary shares for cash, securities or other property.



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Separately, the articles of association of Valens were amended and restated as of the consummation of the Business Combination. Pursuant to such amendment, each securityholder of Valens as of immediately prior to such amendment is restricted from transferring its Valens ordinary shares, except to certain permitted transferees, beginning on the date of such amendment and continuing for a period of one hundred eighty (180) days thereafter.

### ***Shareholder Meetings***

Under Israeli law, Valens is required to hold an annual general meeting of its shareholders once every calendar year and no later than 15 months after the date of the previous annual general meeting. All meetings other than the annual general meeting of shareholders are referred to in the amended and restated articles of association as special general meetings. Our board of directors may call special general meetings of our shareholders whenever it sees fit, at such time and place, within or outside of Israel, as it may determine. In addition, the Companies Law provides that our board of directors is required to convene a special general meeting of our shareholders upon the written request of (i) any two or more of our directors, (ii) one-quarter or more of the serving members of our board of directors or (iii) one or more shareholders holding, in the aggregate, either (a) 5% or more of Valens' issued and outstanding shares and 1% or more of Valens' outstanding voting power or (b) 5% or more of Valens' outstanding voting power.

Under Israeli law, one or more shareholders holding at least 1% of the voting rights at the general meeting of shareholders may request that the board of directors include a matter in the agenda of a general meeting of shareholders to be convened in the future, provided that it is appropriate to discuss such a matter at the general meeting. Our amended and restated articles of association contain procedural guidelines and disclosure items with respect to the submission of shareholder proposals for general meetings. Subject to the provisions of the Companies Law and the regulations promulgated thereunder, shareholders entitled to participate and vote at general meetings of shareholders are the shareholders of record on a date to be decided by the board of directors, which, as a company listed on an exchange outside Israel, may be between four and 40 days prior to the date of the meeting. Furthermore, the Companies Law requires that resolutions regarding the following matters must be passed at a general meeting of shareholders:

- amendments to the articles of association;
- appointment, terms of service and termination of services of auditors;
- appointment of directors, including external directors (if applicable);
- approval of certain related party transactions;
- increases or reductions of authorized share capital;
- a merger; and
- the exercise of the board of director's powers by a general meeting, if the board of directors is unable to exercise its powers and the exercise of any of its powers is required for proper management of the company.

The Companies Law requires that a notice of any annual general meeting or special general meeting be provided to shareholders at least 21 days prior to the meeting and, if the agenda of the meeting includes (among other things) the appointment or removal of directors, the approval of transactions with office holders or interested or related parties, or an approval of a merger, notice must be provided at least 35 days prior to the meeting. Under the Companies Law and our amended and restated articles of association, shareholders are not permitted to take action by way of written consent in lieu of a meeting.

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### *Quorum*

Pursuant to our Amended and Restated Articles of Association, holders of the Valens ordinary shares have one vote for each Valens ordinary share held on all matters submitted to a vote of the shareholders at a general meeting of shareholders. The quorum required for Valens' general meetings of shareholders consists of at least two shareholders present in person or by proxy who hold or represent at least 33 1/3% of the total outstanding voting power of our shares, except that if (i) any such general meeting was initiated by and convened pursuant to a resolution adopted by the board of directors and (ii) at the time of such general meeting we qualify as a "foreign private issuer," the requisite quorum will consist of two or more shareholders present in person or by proxy who hold or represent at least 25% of the total outstanding voting power of our shares. The requisite quorum may be present within half an hour of the time fixed for the commencement of the general meeting. A general meeting adjourned for lack of a quorum shall be adjourned either to the same day in the next week, at the same time and place, to such day and at such time and place as indicated in the notice to such meeting, or to such day and at such time and place as the chairperson of the meeting shall determine. At the reconvened meeting, any number of shareholders present in person or by proxy shall constitute a quorum, unless a meeting was called pursuant to a request by our shareholders, in which case the quorum required is one or more shareholders, present in person or by proxy and holding the number of shares required to call the meeting as described under "Description of Valens Ordinary Shares—Shareholder Meetings."

### *Vote Requirements*

The Amended and Restated Articles of Association provide that all resolutions of our shareholders require a simple majority vote, unless otherwise required by the Companies Law or by our Amended and Restated Articles of Association. Under the Companies Law, certain actions require the approval of a special majority, including: (i) an extraordinary transaction with a controlling shareholder or in which the controlling shareholder has a personal interest, (ii) the terms of employment or other engagement of a controlling shareholder of the company or a controlling shareholder's relative (even if such terms are not extraordinary) and (iii) certain compensation-related matters described above under "Management—Compensation Committee" and "—Compensation Policy under the Companies Law." Under our Amended and Restated Articles of Association, the alteration of the rights, privileges, preferences or obligations of any class of Valens' shares (to the extent there are classes other than Valens ordinary shares) requires the approval of a simple majority of the class so affected (or such other percentage of the relevant class that may be set forth in the governing documents relevant to such class), in addition to the ordinary majority vote of all classes of shares voting together as a single class at a shareholder meeting.

Under our Amended and Restated Articles of Association, the approval of the holders of at least 65% of the total voting power of our shareholders is generally required to remove any of our directors from office, to amend the provision requiring the approval of at least 65% of the total voting power of our shareholders to remove any of our directors from office, or certain other provisions regarding our staggered board, shareholder proposals, the size of our board and plurality voting in contested elections. Another exception to the simple majority vote requirement is a resolution for the voluntary winding up, or an approval of a scheme of arrangement or reorganization, of the company pursuant to Section 350 of the Companies Law, which requires the approval of a majority of the shareholders present and represented at the meeting, and holding at least 75% of the voting rights represented at the meeting and voting on the resolution.

### *Access to Corporate Records*

Under the Companies Law, all shareholders generally have the right to review minutes of our general meetings, our shareholder register (including with respect to material shareholders), our articles of association, our financial statements, other documents as provided in the Companies Law, and any document Valens is required by law to file publicly with the Israeli Registrar of Companies or the Israeli Securities Authority. Any shareholder who specifies the purpose of its request may request to review any document in our possession that relates to any action or transaction with a related party which requires shareholder approval under the Companies Law. Valens may deny a request to review a document if it determines that the request was not made in good faith, that the document contains a commercial secret or a patent or that the document's disclosure may otherwise impair its interests.

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## *Anti-Takeover Provisions*

### *Acquisitions under Israeli Law*

#### *Full Tender Offer*

A person wishing to acquire shares of a public Israeli company who would, as a result, hold over 90% of the target company's voting rights or the target company's issued and outstanding share capital (or of a class thereof), is required by the Companies Law to make a tender offer to all of the company's shareholders for the purchase of all of the issued and outstanding shares of the company (or the applicable class). If (a) the shareholders who do not accept the offer hold less than 5% of the issued and outstanding share capital of the company (or the applicable class) and the shareholders who accept the offer constitute a majority of the offerees that do not have a personal interest in the acceptance of the tender offer or (b) the shareholders who did not accept the tender offer hold less than 2% of the issued and outstanding share capital of the company (or of the applicable class), all of the shares that the acquirer offered to purchase will be transferred to the acquirer by operation of law. A shareholder who had its shares so transferred may petition an Israeli court within six months from the date of acceptance of the full tender offer, regardless of whether such shareholder agreed to the offer, to determine whether the tender offer was for less than fair value and whether the fair value should be paid as determined by the court. However, an offeror may provide in the offer that a shareholder who accepted the offer will not be entitled to petition the court for appraisal rights as described in the preceding sentence, as long as the offeror and the company disclosed the information required by law in connection with the full tender offer. If the full tender offer was not accepted in accordance with any of the above alternatives, the acquirer may not acquire shares of the company that will increase its holdings to more than 90% of the company's voting rights or the company's issued and outstanding share capital (or of the applicable class) from shareholders who accepted the tender offer. Shares purchased in contradiction to the full tender offer rules under the Companies Law will have no rights and will become dormant shares.

#### *Special Tender Offer*

The Companies Law provides that an acquisition of shares of an Israeli public company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a holder of 25% or more of the voting rights in the company. This requirement does not apply if there is already another holder of 25% or more of the voting rights in the company. Similarly, the Companies Law provides that an acquisition of shares of an Israeli public company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a holder of more than 45% of the voting rights in the company, if there is no other shareholder of the company who holds more than 45% of the voting rights in the company. These requirements do not apply if (i) the acquisition occurs in the context of a private placement by the company that received shareholder approval as a private placement whose purpose is to give the purchaser 25% or more of the voting rights in the company, if there is no person who holds 25% or more of the voting rights in the company or as a private placement whose purpose is to give the purchaser 45% of the voting rights in the company, if there is no person who holds 45% of the voting rights in the company, (ii) the acquisition was from a shareholder holding 25% or more of the voting rights in the company and resulted in the purchaser becoming a holder of 25% or more of the voting rights in the company, or (iii) the acquisition was from a shareholder holding more than 45% of the voting rights in the company and resulted in the purchaser becoming a holder of more than 45% of the voting rights in the company. A special tender offer must be extended to all shareholders of a company. A special tender offer may be consummated only if (i) at least 5% of the voting power attached to the company's outstanding shares will be acquired by the offeror and (ii) the number of shares tendered in the offer exceeds the number of shares whose holders objected to the offer (excluding the purchaser, its controlling shareholders, holders of 25% or more of the voting rights in the company and any person having a personal interest in the acceptance of the tender offer, or anyone on their behalf, including any such person's relatives and entities under their control).

In the event that a special tender offer is made, a company's board of directors is required to express its opinion on the advisability of the offer, or shall abstain from expressing any opinion if it is unable to do so, provided that it gives the reasons for its abstention. The board of directors shall also disclose any personal interest that any of the directors has with respect to the special tender offer or in connection therewith. An office holder in a target company who, in his or her capacity as an office holder, performs an action the purpose of which is to cause the failure of an existing or foreseeable special tender offer or is to impair the chances of its acceptance, is liable to the potential purchaser and shareholders for damages, unless such office holder acted in good faith and had reasonable grounds to believe he or she was acting for the benefit of the company. However, office holders of the target company may negotiate with the potential purchaser in order to improve the terms of the special tender offer, and may further negotiate with third parties in order to obtain a competing offer.

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If a special tender offer is accepted, then shareholders who did not respond to or that had objected the offer may accept the offer within four days of the last day set for the acceptance of the offer and they will be considered to have accepted the offer from the first day it was made.

In the event that a special tender offer is accepted, then the purchaser or any person or entity controlling it or under common control with the purchaser or such controlling person or entity at the time of the offer may not make a subsequent tender offer for the purchase of shares of the target company and may not enter into a merger with the target company for a period of one year from the date of the offer, unless the purchaser or such person or entity undertook to effect such an offer or merger in the initial special tender offer. Shares purchased in contradiction to the special tender offer rules under the Companies Law will have no rights and will become dormant shares..

### *Merger*

The Companies Law permits merger transactions if approved by each party's board of directors and, unless certain conditions described under the Companies Law are met, a simple majority of the outstanding shares of each party to the merger that are represented and voting on the merger. The board of directors of a merging company is required pursuant to the Companies Law to discuss and determine whether in its opinion there exists a reasonable concern that as a result of a proposed merger, the surviving company will not be able to satisfy its obligations towards its creditors, such determination taking into account the financial status of the merging companies. If the board of directors determines that such a concern exists, it may not approve a proposed merger. Following the approval of the board of directors of each of the merging companies, the boards of directors must jointly prepare a merger proposal for submission to the Israeli Registrar of Companies.

For purposes of the shareholder vote of a merging company whose shares are held by the other merging company, or by a person or entity holding 25% or more of the voting rights at the general meeting of shareholders of the other merging company, or by a person or entity holding the right to appoint 25% or more of the directors of the other merging company, unless a court rules otherwise, the merger will not be deemed approved if a majority of the shares voted on the matter at the general meeting of shareholders (excluding abstentions) that are held by shareholders other than the other party to the merger, or by any person or entity who holds 25% or more of the voting rights of the other party or the right to appoint 25% or more of the directors of the other party, or any one on their behalf including their relatives or corporations controlled by any of them, vote against the merger. In addition, if the non-surviving entity of the merger has more than one class of shares, the merger must be approved by each class of shareholders. If the transaction would have been approved but for the separate approval of each class or the exclusion of the votes of certain shareholders as provided above, a court may still approve the merger upon the request of holders of at least 25% of the voting rights of a company, if the court holds that the merger is fair and reasonable, taking into account the valuation of the merging companies and the consideration offered to the shareholders. If a merger is with a company's controlling shareholder or if the controlling shareholder has a personal interest in the merger, then the merger is instead subject to the same special majority approval that governs all extraordinary transactions with controlling shareholders.

Under the Companies Law, each merging company must deliver to its secured creditors the merger proposal and inform its unsecured creditors of the merger proposal and its content. Upon the request of a creditor of either party to the proposed merger, the court may delay or prevent the merger if it concludes that there exists a reasonable concern that, as a result of the merger, the surviving company will be unable to satisfy the obligations of the merging company, and may further give instructions to secure the rights of creditors.

In addition, a merger may not be completed unless at least 50 days have passed from the date that a proposal for approval of the merger is filed with the Israeli Registrar of Companies and 30 days from the date that shareholder approval of both merging companies is obtained.

The Companies Law allows us to create and issue shares having rights different from those attached to Valens ordinary shares, including shares providing certain preferred rights with respect to voting, distributions or other matters and shares having preemptive rights. As of the completion of the Business Combination, no preferred shares will be authorized under our Amended and Restated Articles of Association. In the future, if we do authorize, create and issue a specific class of preferred shares, such class of shares, depending on the specific rights that may be attached to it, may have the ability to frustrate or prevent a takeover or otherwise prevent our shareholders from realizing a potential premium over the market value of Valens ordinary shares. The authorization and designation of a class of preferred shares will require an amendment to our Amended and Restated Articles of Association, which requires the prior approval of the holders of a majority of the voting power attached to our issued and outstanding shares at a general meeting of our shareholders. The convening of the meeting, the shareholders entitled to participate and the vote required to be obtained at such a meeting will be subject to the requirements set forth in the Companies Law and our Amended and Restated Articles of Association, as described above in “Description of Valens Ordinary Shares—Shareholder Meetings.” In addition, as disclosed under “Description of Valens Ordinary Shares—Election of Directors,” we have a classified board structure, which effectively limits the ability of any investor or potential investor or group of investors or potential investors to gain control of our board of directors.

#### ***Borrowing Powers***

Pursuant to the Companies Law and our Amended and Restated Articles of Association, our board of directors may exercise all powers and take all actions that are not required under law or under our Amended and Restated Articles of Association to be exercised or taken by our shareholders, including the power to borrow money for company purposes.

#### ***Changes in Capital***

Our Amended and Restated Articles of Association enable us to increase or reduce our share capital. Any such changes are subject to Israeli law and must be approved by a resolution duly passed by our shareholders at a general meeting of shareholders. In addition, transactions that have the effect of reducing capital, such as the declaration and payment of dividends in the absence of sufficient retained earnings or profits, require the approval of both our board of directors and an Israeli court.

#### ***Exclusive Forum***

Our Amended and Restated Articles of Association of this offering provide that unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such Securities Act actions, and accordingly, both state and federal courts have jurisdiction to entertain such claims. While the federal forum provision in our Amended and Restated Articles of Association does not restrict the ability of our shareholders to bring claims under the Securities Act, we recognize that it may limit shareholders’ ability to bring a claim in the judicial forum that they find favorable and may increase certain litigation costs, which may discourage the filing of claims under the Securities Act against the Company, its directors and officers. However, the enforceability of similar forum provisions (including exclusive federal forum provisions for actions, suits or proceedings asserting a cause of action arising under the Securities Act) in other companies’ organizational documents has been challenged in legal proceedings, and there is uncertainty as to whether courts would enforce the exclusive forum provisions in our Amended and Restated Articles of Association. If a court were to find the choice of forum provision contained in our Amended and Restated Articles of Association to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could materially adversely affect our business, financial condition and results of operations. Alternatively, if a court were to find these provisions of our Amended and Restated Articles of Association inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business and financial condition. Any person or entity purchasing or otherwise acquiring any interest in our share capital shall be deemed to have notice of and to have consented to the choice of forum provisions of our Amended and Restated Articles of Association described above. This provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act or any other claim for which the U.S. federal courts have exclusive jurisdiction.

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### ***Transfer Agent and Registrar***

The transfer agent and registrar for Valens ordinary shares is Continental Stock Transfer & Trust Company and its address is 1 State Street — 30th Floor, New York, New York 10004.

### **Description of Valens Warrants**

#### ***Public Warrants***

Each of the 11,500,000 public warrants entitles the registered holder to purchase one-half of one Valens ordinary share at a price of \$11.50 per full share, subject to adjustment as discussed below, at any time commencing on the Effective Time. Pursuant to the Valens Warrant Agreement, a warrant holder may exercise its warrants only for a whole number of shares. This means that only an even number of warrants may be exercised at any given time by a warrant holder. However, except as set forth below, no warrants will be exercisable for cash unless Valens has an effective and current registration statement covering the Valens ordinary shares issuable upon exercise of the warrants and a current prospectus relating to such Valens ordinary shares. Under the terms of the Valens Warrant Agreement, Valens has agreed to use its best efforts to meet these conditions and to maintain a current prospectus relating to the Valens ordinary shares issuable upon exercise of the warrants until the expiration of the warrants. However, Valens cannot assure you that it will be able to do so. Notwithstanding the foregoing, if a registration statement covering the Valens ordinary shares issuable upon exercise of the warrants is not effective, warrant holders may, until such time as there is an effective registration statement and during any period when Valens shall have failed to maintain an effective registration statement, exercise warrants on a cashless basis pursuant to the exemption from registration provided by Section 3(a)(9) of the Securities Act provided that such exemption is available. In such event, each holder would pay the exercise price by surrendering the warrants for that number of Valens ordinary shares equal to the quotient obtained by dividing (x) the product of the number of Valens ordinary shares underlying the warrants, multiplied by the difference between the exercise price of the warrants and the “fair market value” (defined below) by (y) the fair market value. The “fair market value” shall mean the average reported last sale price of the Valens ordinary shares for the 10 trading days ending on the day prior to the date of exercise. For example, if a holder held 300 warrants to purchase 150 ordinary shares and the fair market value on the date prior to exercise was \$15.00, that holder would receive 35 ordinary shares without the payment of any additional cash consideration. If an exemption from registration is not available, holders will not be able to exercise their warrants on a cashless basis. The warrants will expire September 29, 2026 at 5:00 p.m., Eastern Standard Time.

Valens may call the outstanding public warrants for redemption, in whole and not in part, at a price of \$0.01 per warrant:

- at any time while the warrants are exercisable;
- upon not less than 30 days’ prior written notice of redemption to each warrant holder;
- if, and only if, the reported last sale price of the Valens ordinary shares equals or exceeds \$18.00 per share (as adjusted for stock splits, stock dividends, reorganizations and recapitalizations), for any 20 trading days within a 30-day trading period ending on the third business day prior to the notice of redemption to warrant holders (the “Force-Call Provision”), and
- if, and only if, there is a current registration statement in effect with respect to the Valens ordinary shares underlying such warrants at the time of redemption and for the entire 30-day trading period referred to above and continuing each day thereafter until the date of redemption.

The right to exercise will be forfeited unless the warrants are exercised prior to the date specified in the notice of redemption. On and after the redemption date, a record holder of a warrant will have no further rights except to receive the redemption price for such holder’s warrant upon surrender of such warrant.

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The redemption criteria for the Valens warrants have been established at a price which is intended to provide warrant holders a reasonable premium to the initial exercise price and provide a sufficient differential between the then-prevailing share price and the warrant exercise price so that if the share price declines as a result of our redemption call, the redemption will not cause the share price to drop below the exercise price of the warrants.

If Valens calls the warrants for redemption as described above, our management will have the option to require all holders that wish to exercise warrants to do so on a “cashless basis.” In such event, each holder would pay the exercise price by surrendering the warrants for that number of Valens ordinary shares equal to the quotient obtained by dividing (x) the product of the number of Valens ordinary shares underlying the warrants, multiplied by the difference between the exercise price of the warrants and the “fair market value” (defined below) by (y) the fair market value. The “fair market value” shall mean the average reported last sale price of Valens ordinary shares for the 10 trading days ending on the third trading day prior to the date on which the notice of redemption is sent to the holders of warrants. Whether Valens will exercise our option to require all holders to exercise their warrants on a “cashless basis” will depend on a variety of factors including the price of our common shares at the time the warrants are called for redemption, our cash needs at such time and concerns regarding dilutive share issuances.

The warrants will be issued in registered form pursuant to the Valens Warrant Agreement between Continental Stock Transfer & Trust Company, as warrant agent, and us. The Valens Warrant Agreement provides that the terms of the warrants may be amended without the consent of any holder to cure any ambiguity or correct any defective provision, but requires the approval, by written consent or vote, of the holders of a majority of the then outstanding warrants in order to make any change that adversely affects the interests of the registered holders.

The exercise price and number of Valens ordinary shares issuable on exercise of the warrants may be adjusted in certain circumstances including in the event of a share dividend, extraordinary dividend or our recapitalization, reorganization, merger or consolidation. However, the warrants will not be adjusted for issuances of Valens ordinary shares at a price below their respective exercise prices.

The warrants may be exercised upon surrender of the warrant certificate on or prior to the expiration date at the offices of the warrant agent, with the exercise form on the reverse side of the warrant certificate completed and executed as indicated, accompanied by full payment of the exercise price, by certified or official bank check payable to us, for the number of warrants being exercised. The warrant holders do not have the rights or privileges of holders of Valens ordinary shares and any voting rights until they exercise their warrants and receive Valens ordinary shares. After the issuance of Valens ordinary shares upon exercise of the warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by stockholders.

Warrant holders may elect to be subject to a restriction on the exercise of their warrants such that an electing warrant holder would not be able to exercise their warrants to the extent that, after giving effect to such exercise, such holder would beneficially own in excess of 9.9% of the Valens ordinary shares outstanding. Notwithstanding the foregoing, any person who acquires a warrant with the purpose or effect of changing or influencing the control of our company, or in connection with or as a participant in any transaction having such purpose or effect, immediately upon such acquisition will be deemed to be the beneficial owner of the underlying Valens ordinary shares and not be able to take advantage of this provision.

No fractional shares will be issued upon exercise of the warrants. If, upon exercise of the warrants, a holder would be entitled to receive a fractional interest in a share, Valens will, upon exercise, round down to the nearest whole number the number of Valens ordinary shares to be issued to the warrant holder.

An exchange offer made to both the publicly traded warrants and the warrants held by our sponsor on the same terms will not constitute an amendment requiring consent of any warrant holder.

### ***Private Warrants***

Each of the 6,660,000 Private Warrants will not be redeemable by Valens, regardless of the holder’s identity. The holders have the option to exercise the Private Warrants on a cashless basis at any time into Valens ordinary shares. Except as described above, the Private Warrants have terms and provisions that are identical to those of the Public Warrants, including as to exercise price, exercisability and exercise period.

**BUSINESS COMBINATION AGREEMENT**

**BY AND AMONG**

**PTK ACQUISITION CORP.,**

**VALENS MERGER SUB, INC.,**

**AND**

**VALENS SEMICONDUCTOR LTD.**

**DATED AS OF MAY 25, 2021**



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## BUSINESS COMBINATION AGREEMENT

This BUSINESS COMBINATION AGREEMENT (this "Agreement"), dated as of May 25, 2021, is entered into by and among PTK Acquisition Corp., a Delaware corporation ("SPAC"), Valens Merger Sub, Inc., a Delaware corporation ("Merger Sub"), and Valens Semiconductor Ltd., a limited liability company organized under the laws of the State of Israel (the "Company"). SPAC, Merger Sub and the Company shall be referred to herein from time to time individually as a "Party" and collectively as the "Parties." Capitalized terms used but not otherwise defined herein have the meanings set forth in Section 1.1.

WHEREAS, SPAC is a blank check company formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses;

WHEREAS, Merger Sub is a newly formed, wholly owned, direct Subsidiary of the Company that was formed for purposes of consummating the transactions contemplated by this Agreement and the Ancillary Documents (the "Transactions");

WHEREAS, subject to the terms and conditions hereof, on the Closing Date, (a) Merger Sub will merge with and into SPAC (the "Merger"), with SPAC surviving the Merger as a wholly owned Subsidiary of the Company, (b) each SPAC Share will be automatically converted as of the Effective Time into the right to receive one Company Ordinary Share, (c) all of the Company Preferred Shares will be converted into Company Ordinary Shares, and (d) each of the SPAC Warrants will automatically become a Company Warrant and all rights with respect to SPAC Shares underlying the SPAC Warrants will be automatically converted into rights with respect to Company Ordinary Shares and thereupon assumed by the Company;

WHEREAS, the board of directors of SPAC (the "SPAC Board") has (a) approved this Agreement, the Ancillary Documents to which SPAC is or will be a party and the transactions contemplated hereby and thereby (including the Merger) and (b) recommended, among other things, approval of this Agreement and the Transactions (including the Merger) by the holders of SPAC Shares entitled to vote thereon;

WHEREAS, the board of directors of Merger Sub has approved this Agreement, the Ancillary Documents to which Merger Sub is or will be a party and the transactions contemplated hereby and thereby (including the Merger);

WHEREAS, the Company, acting in its capacity as the sole shareholder of Merger Sub, has approved this Agreement, the Ancillary Documents to which Merger Sub is or will be a party and the transactions contemplated hereby and thereby (including the Merger);

WHEREAS, the board of directors of the Company (the "Company Board") has (a) determined that the transactions contemplated by this Agreement and the Ancillary Documents to which the Company is or will be a party are fair to, advisable and in the best interests of the Company and its shareholders, (b) approved this Agreement, the Ancillary Documents to which the Company is or will be a party and the transactions contemplated hereby and thereby (including the Merger) and (c) recommended, upon the terms and subject to the conditions set forth in this Agreement, among other things, the approval of the Company Preferred Shareholder Proposals and the Company Shareholder Proposals, by the holders of Company Shares entitled to vote thereon at the Company Shareholder Meeting;

WHEREAS, concurrently with the execution of this Agreement, the Company and each of the parties (the “Subscribers”) subscribing for Company Ordinary Shares thereunder have entered into certain subscription agreements, dated as of the date hereof (as amended or modified from time to time, collectively, the “Subscription Agreements”), in substantially the form attached hereto as Exhibit A, pursuant to which, among other things, each Subscriber has agreed to subscribe for and purchase on the Closing Date immediately following the Closing, and the Company has agreed to issue and sell to each such Subscriber on the Closing Date immediately following the Closing, the number of Company Ordinary Shares set forth in the applicable Subscription Agreement in exchange for the purchase price set forth therein, on the terms and subject to the conditions set forth in the applicable Subscription Agreement (the equity financing under all Subscription Agreements, collectively, hereinafter referred to as the “PIPE Financing”);

WHEREAS, concurrently with the execution of this Agreement, Sponsor, SPAC and the Company are entering into the sponsor letter agreement in substantially the form attached hereto as Exhibit B (the “Sponsor Letter Agreement”), pursuant to which, among other things, Sponsor has agreed to vote in favor of this Agreement and the transactions contemplated hereby (including the Merger) and subject a portion of the Merger Consideration payable to Sponsor to certain earn-out provisions, in each case, on the terms and subject to the conditions set forth in the Sponsor Letter Agreement;

WHEREAS, concurrently with the execution of this Agreement, certain Company Shareholders (collectively, the “Supporting Company Shareholders”), which, in the aggregate, represent the Requisite Majority, are entering into a transaction support agreement, substantially in the form attached hereto as Exhibit C (collectively, the “Transaction Support Agreements”), pursuant to which, among other things, each such Supporting Company Shareholder will agree to vote in favor of the approval of the Company Preferred Shareholder Proposals and the Company Shareholder Proposals, as applicable, at the Company Shareholder Meeting;

WHEREAS, pursuant to the Governing Documents of SPAC, SPAC is required to provide an opportunity for its public shareholders to have their outstanding SPAC Shares redeemed for the consideration, and on the terms and subject to the conditions and limitations, set forth in the Governing Documents of SPAC and the Trust Agreement (the “Offer”);

WHEREAS, concurrently with the execution of this Agreement, in connection with the Merger, the Company, certain Company Shareholders and the Sponsor have entered into that certain Second Amended Investors’ Rights Agreement (the “Registration Rights Agreement”), substantially in the form set forth on Exhibit D to be effective upon the Closing, which agreement, upon execution and delivery by such parties, will replace and supersede the Investor Rights Agreement in its entirety;

WHEREAS, at the Closing, in connection with the Merger, the Company and Continental Stock Transfer & Trust Company (or its applicable Affiliate) will enter into that certain Assignment, Assumption, Amended and Restated Warrant Agreement (the “Company Warrant Agreement”), substantially in the form set forth on Exhibit E to be effective upon the Closing;

WHEREAS, the Company shall, subject to obtaining the Company Preferred Shareholder Approval and the Company Shareholder Approval, adopt the amended and restated articles of association of the Company (the “Company A&R Articles of Association”) substantially in the form attached hereto as Exhibit F, effective immediately following the Effective Time;

WHEREAS, immediately prior to the Effective Time, the Company shall, subject to obtaining the Company Shareholder Approval, adopt the Company Incentive Equity Plan; and

WHEREAS, for U.S. federal income Tax purposes, it is intended that the Merger qualify as a “reorganization” within the meaning of Section 368(a) of the Code to which each of the Company, SPAC and Merger Sub are parties pursuant to Section 368(b) of the Code and that this Agreement constitutes a “plan of reorganization” within the meaning of Treasury Regulation Sections 1.368-2(g) and 1.368-3(a).

NOW, THEREFORE, in consideration of the premises and the mutual promises set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, each intending to be legally bound, hereby agree as follows:

## **ARTICLE I. CERTAIN DEFINITIONS**

Section 1.1 Definitions. As used in this Agreement, the following terms have the respective meanings set forth below.

“Affiliate” means, with respect to any Person, any other Person who directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. For purposes of this Agreement, the term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise, and the terms “controlled” and “controlling” have meanings correlative thereto.

“Aggregate Transaction Proceeds” means an amount equal to (a) the aggregate cash proceeds to be released to SPAC from the Trust Account in connection with the transactions contemplated hereby (after, for the avoidance of doubt, giving effect to all of the SPAC Stockholder Redemptions but before release of any other funds) plus (b) the aggregate proceeds to be received by the Company in connection with the Closing from the PIPE Financing minus (c) the SPAC Liabilities.

“Aggregate Vested Company Equity Awards Exercise Price” means the aggregate amount of the exercise price that would be paid to the Company in respect of all Vested Company Equity Awards if all Vested Company Options were exercised in full immediately prior to the Effective Time (without giving effect to any “net” exercise or similar concept).

“Agreement” has the meaning set forth in the introductory paragraph to this Agreement.

“Ancillary Documents” means the Sponsor Letter Agreement, the Subscription Agreements, the Transaction Support Agreements, the Registration Rights Agreement, the Company Warrant Agreement and each other agreement, document, instrument and/or certificate contemplated by this Agreement and executed or to be executed in connection with the transactions contemplated hereby.

“Anti-Corruption Laws” means, collectively, the Foreign Corrupt Practices Act (FCPA), the UK Bribery Act 2010, Sub-chapter 5 of Chapter 9 of Part B of the Israeli Penal Law, 1977, the Israeli Prohibition on Money Laundering Law, 5760-2000, OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, the UN Convention against Corruption, United States Currency, Foreign Transactions Reporting Act of 1970, as amended, and any other applicable anti-bribery or anti-corruption Laws related to combatting bribery, corruption and money laundering.

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“Antitrust Laws” means any antitrust, competition, merger control or trade regulatory law.

“Business Combination” has the meaning set forth in Section 8.18.

“Business Combination Proposal” has the meaning set forth in Section 5.8.

“Business Day” means a day, other than a Saturday or Sunday, on which commercial banks in New York, New York and Tel Aviv, Israel are open for the general transaction of business.

“Capital Restructuring” has the meaning set forth in Section 2.1(c).

“CARES Act” means the Coronavirus Aid, Relief and Economic Security Act (Pub. L. No. 116-136), as signed into law by the President of the United States on March 27, 2020.

“Cash” means (i) the cash on hand (including petty cash), cash in current accounts (including checking and savings accounts and money market accounts), cash in short-term deposit or similar accounts (including interest accrued with respect thereto), money orders, certified checks, checks and drafts received from third parties and not yet deposited and cleared, and cash equivalents (including negotiable or other readily marketable securities and short term investments or any short-term Indebtedness issued or guaranteed by the government of the United States or the State of Israel), but excluding any Restricted Cash, plus (ii) any Company Expenses paid by the Company prior to the Closing, plus (iii) any SPAC Expenses paid by the Company prior to Closing, if any.

“CBA” means any collective bargaining agreement or other Contract with any labor union, works council, or other labor organization.

“Certificate of Merger” has the meaning set forth in Section 2.2(b).

“Closing” has the meaning set forth in Section 2.5.

“Closing Date” has the meaning set forth in Section 2.5.

“Closing Filing” has the meaning set forth in Section 5.4(b).

“Closing Press Release” has the meaning set forth in Section 5.4(b).

“Code” means the U.S. Internal Revenue Code of 1986, as amended.

“Company” has the meaning set forth in the introductory paragraph to this Agreement.

“Company A&R Articles of Association” has the meaning set forth in the recitals to this Agreement.

“Company Acquisition Proposal” means any transaction or series of related transactions under which (a) any Person(s), directly or indirectly, acquires or otherwise purchases (i) voting control of the Company or any of its controlled Affiliates or (ii) all or a material portion of the consolidated assets of the Company or any of its controlled Affiliates (in the case of each of clause (i) and (ii), whether by merger, consolidation, recapitalization, purchase or issuance of Equity Securities, tender offer or otherwise) or (b) any equity or similar investment in the Company or any of its controlled Affiliates. Notwithstanding the foregoing or anything to the contrary herein, none of this Agreement, the Ancillary Documents, the Transactions nor the PIPE Financing shall constitute a Company Acquisition Proposal.



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“Company Board” has the meaning set forth in the recitals to this Agreement.

“Company Disclosure Schedules” means the disclosure schedules to this Agreement delivered to SPAC by the Company on the date of this Agreement.

“Company Equity Award” means, as of any determination time, each Company Option and each other award to any current or former director, manager, officer, employee, individual independent contractor or other service provider of any Group Company of rights of any kind to receive any Equity Security of any Group Company under any Company Equity Plan or otherwise that is outstanding.

“Company Equity Plan” means, collectively, the Company’s 2007 Option Plan, the Company’s 2012 Option Plan and the U.S. Sub-Plan of the Company’s 2012 Option Plan, and each other plan that provides for the award to any current or former director, manager, officer, employee, individual independent contractor or other service provider of any Group Company of rights of any kind to receive Equity Securities of any Group Company or benefits measured in whole or in part by reference to Equity Securities of any Group Company.

“Company Expenses” means, as of any determination time, the aggregate amount of fees, expense, commissions or other amounts incurred by or on behalf of, or otherwise payable by, whether or not due, any Group Company or Merger Sub in connection with the negotiation, preparation or execution of this Agreement or any Ancillary Documents, the performance of its covenants or agreements in this Agreement or any Ancillary Document or the consummation of the Transactions, including (a) the fees and expenses of outside legal counsel, accountants, advisors, brokers and finders, investment bankers, consultants, or other agents or service providers of any Group Company or Merger Sub, (b) any other fees, expenses, commissions or other amounts that are expressly allocated to any Group Company or Merger Sub pursuant to this Agreement or any Ancillary Document, including fifty percent (50%) of all fees for registering the Company Securities on the Registration Statement, fifty percent (50%) of all fees for the application for listing the Company Securities on NYSE, fifty percent (50%) of all filing fees (if any) for any filings pursuant to any applicable Antitrust Laws and fifty percent (50%) of all Transfer Taxes; *provided*, that if any amounts to be included in the calculation of the Company Expenses which are in a currency other than US dollars, such amounts shall be deemed converted to US dollars at the prevailing official rate of exchange published by the Federal Reserve Bank of New York for the conversion of such currency or currency unit into US dollars (except for the conversion of NIS denominated expenses which shall be deemed converted on the basis of the official USD-NIS exchange rates) on the last Business Day immediately preceding the Closing. Notwithstanding the foregoing or anything to the contrary herein, Company Expenses shall not include any SPAC Expenses.

“Company Fundamental Representations” means the representations and warranties set forth in Section 3.1(a) and Section 3.1(b) (*Organization and Qualification*), Section 3.2(a), Section 3.2(c) (*Capitalization of the Group Companies*), Section 3.3 (*Authority*), Section 3.8(a) (*Absence of Changes*) and Section 3.18 (*Brokers*).

“Company Incentive Equity Plan” has the meaning set forth in Section 5.17.

“Company Intellectual Property” means all Company Owned Intellectual Property and all Company Licensed Intellectual Property.

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“Company Inbound License” means Contracts pursuant to which any Group Company receives a license to, or is otherwise granted a right to use, any Intellectual Property Rights of a third Person.

“Company Investor Agreements” has the meaning set forth in Section 3.20.

“Company Licensed Intellectual Property” means Intellectual Property Rights owned by any Person (other than a Group Company) that is licensed to any Group Company.

“Company Management” means the employees of the Company listed in the first column in the chart on Section 3.2(b) of the Company Disclosure Schedules.

“Company Material Adverse Effect” means any change, event, effect or occurrence that, individually or in the aggregate with any other change, event, effect or occurrence, has had or would reasonably be expected to have a material adverse effect on the business, results of operations or financial condition of the Group Companies, taken as a whole; provided, however, that none of the following shall be taken into account in determining whether a Company Material Adverse Effect has occurred or is reasonably likely to occur: any adverse change, event, effect or occurrence arising after the date of this Agreement from or related to (i) general business or economic conditions in or affecting the United States, Israel or any other jurisdiction where any of the Group Companies operate, or changes therein, or the global economy generally, (ii) acts of war, sabotage or terrorism (including cyberterrorism) in the United States, Israel or any other jurisdiction where any of the Group Companies operate, (iii) changes in conditions of the financial, banking, capital or securities markets generally in the United States, Israel or any other jurisdiction where any of the Group Companies operate, or changes therein, including changes in interest rates and changes in exchange rates, (iv) changes in any applicable Laws or GAAP or any official interpretation thereof, (v) any change, event, effect or occurrence that is generally applicable to the industries or markets in which any Group Company operates, (vi) the execution or public announcement of this Agreement or the pendency or consummation of the transactions contemplated by this Agreement, including the impact thereof on the relationships, contractual or otherwise, of any Group Company with employees, customers, investors, contractors, lenders, suppliers, vendors, partners, licensors, licensees, payors or other third-parties related thereto (provided that the exception in this clause (vi) shall not apply to the representations and warranties set forth in Section 3.5(b) to the extent that its purpose is to address the consequences resulting from the public announcement or pendency or consummation of the transactions contemplated by this Agreement or the condition set forth in Section 6.2(a) to the extent it relates to such representations and warranties), (vii) any failure by any Group Company to meet, or changes to, any internal or published budgets, projections, forecasts, estimates or predictions (it being understood that the underlying facts giving rise or contributing to such failure or change may be taken into account in determining whether there has been a Company Material Adverse Effect if otherwise contemplated by, and not otherwise excluded from, this definition), or (viii) any hurricane, tornado, flood, earthquake, tsunami, natural disaster, mudslides, wild fires, explosions, epidemics, pandemics (including COVID-19 or SARS-CoV-2 virus (or any mutation or variation thereof)), acts of God or other natural disasters or comparable events, or any escalation of the foregoing; provided, however, that any change, event, effect or occurrence resulting from a matter described in any of the foregoing clauses (i) through (v) or (viii) may be taken into account in determining whether a Company Material Adverse Effect has occurred or is reasonably likely to occur to the extent (and only to the extent) such change, event, effect or occurrence has a disproportionate adverse effect on the Group Companies, taken as a whole, relative to other participants operating in the industries or markets in which the Group Companies operate.

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“Company Non-Party Affiliates” means, collectively, each Company Related Party and each former, current or future Affiliates, Representatives, successors or permitted assigns of any Company Related Party (other than, for the avoidance of doubt, the Company Parties).

“Company Option” means, as of any determination time, each option to purchase Company Ordinary Shares that is outstanding and unexercised, whether granted under a Company Equity Plan or otherwise.

“Company Ordinary Shares” means ordinary shares, par value NIS 0.01 per share, of the Company.

“Company Outbound License” means Contracts pursuant to which any Group Company licenses to a third Person, or otherwise grants any third Person a right to use, any Company Intellectual Property.

“Company Owned Intellectual Property” means all Intellectual Property Rights that are owned by or purported to be owned by any Group Company.

“Company Parties” means, together, the Company and Merger Sub.

“Company Preferred A Shares” means the Series A Preferred Shares of the Company, par value NIS 0.01 per share, of the Company.

“Company Preferred B1 Shares” means the Series B1 Preferred Shares of the Company, par value NIS 0.01 per share, of the Company.

“Company Preferred B2 Shares” means the Series B2 Preferred Shares of the Company, par value NIS 0.01 per share, of the Company.

“Company Preferred C Shares” means the Series C Preferred Shares of the Company, par value NIS 0.01 per share, of the Company.

“Company Preferred D Shares” means the Series D Preferred Shares of the Company, par value NIS 0.01 per share, of the Company.

“Company Preferred E Shares” means the Series E Preferred Shares of the Company, par value NIS 0.01 per share, of the Company.

“Company Preferred Shareholder Approval” means the affirmative vote of the Preferred Majority, voting as a single class, at the Company Shareholder Meeting, approving the Company Preferred Shareholder Proposals.

“Company Preferred Shareholder Proposals” means the proposals for (i) the adoption and approval of this Agreement and the Transactions; (ii) the approval of the effectiveness of the Stock Split in connection with the Capital Restructuring, (iii) the election of directors to the Company Board and the entry into customary indemnification agreements with the directors of the Company, (iv) the purchase by the Company of a D&O insurance policy, effective as of immediately following the Closing Date, covering the Company’s directors and officers as of immediately following the Closing Date, (v) the adoption and approval of a proposal to terminate each Company Investor Agreement requiring consent of the Company Preferred Shareholders and the entry by the Company into the Registration Rights Agreement, (vi) the adoption of an amended and restated

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Articles of Association substantially consistent with the form attached to the Transaction Support Agreements, to be in effect prior to the Effective Time, and the further adoptions of the Company A&R Articles of Association and (vii) the waiver of rights of first refusal, preemptive rights, rights of first offer, rights of first notice, participation, co-sale, anti-dilution, over-allotment, any veto rights, rights of purchase, subscription or any other similar rights and any notice thereof set forth in the Company's Governing Documents, in each case in connection with the Transaction.

“Company Preferred Shares” means, collectively, the Company Preferred A Shares, the Company Preferred B1 Shares, the Company Preferred B2 Shares, the Company Preferred C Shares, the Company Preferred D Shares and the Company Preferred E Shares.

“Company Preferred Share Conversion” has the meaning set forth in Section 2.1(a).

“Company Products” means all Semiconductor products, Software and other products and services, including any of the foregoing currently in development, from which any Group Company has derived within the three (3) years preceding the date hereof, is currently deriving or is scheduled to derive revenue from the sale, license, maintenance or other provision thereof in the conduct of the business of the Group Companies.

“Company Registered Intellectual Property” means all Registered Intellectual Property owned by any Group Company.

“Company Related Party” has the meaning set forth in Section 3.20.

“Company Related Party Transactions” has the meaning set forth in Section 3.20.

“Company Shareholder Approval” means the affirmative vote of the holders of Company Shares holding more than fifty percent (50%) of the then issued and outstanding Company Shares, on an as-converted basis, at the Company Shareholder Meeting, approving the Company Shareholder Proposals.

“Company Shareholder Meeting” has the meaning set forth in Section 5.13(b).

“Company Shareholder Proposals” means the proposals for (i) the adoption and approval of this Agreement and the Transactions; (ii) the approval of the effectiveness of the Stock Split in connection with the Capital Restructuring, (iii) the election of directors to the Company Board and the entry into customary indemnification agreements with the directors of the Company, (iv) the adoption and approval of a proposal to terminate each Company Investor Agreement requiring consent of the Company Shareholders, and (v) the adoption of an amended and restated Articles of Association substantially consistent with the form attached to the Transaction Support Agreements, to be in effect prior to the Effective Time, and the further adoptions of the Company A&R Articles of Association, (vi) the proposal to increase of the number of Company Ordinary Shares reserved for issuance pursuant to the Company's incentive equity plan(s) and the employee stock purchase plan or in connection with the Stock Split, (vii) the purchase by the Company of a D&O insurance policy, effective as of immediately following the Closing Date, covering the Company's directors and officers as of immediately following the Closing Date, and (ix) the appointment of the Company's auditors.

“Company Shareholders” means, collectively, the holders of Company Shares as of any determination time prior to the Effective Time.

“Company Shares” means, collectively, the Company Preferred Shares and the Company Ordinary Shares.

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“Company Warrant Agreement” has the meaning set forth in the recitals to this Agreement.

“Company Warrants” means warrants to purchase Company Ordinary Shares on the terms set forth in the Company Warrant Agreement (which shall be in the identical form of redeemable public warrants of SPAC which were sold as part of SPAC’s initial public offering, but in the name of the Company and as amended pursuant to the Company Warrant Agreement).

“Confidentiality Agreement” means, that certain Mutual Confidentiality Agreement, dated as of September 10, 2020, by and between the Company and SPAC.

“Consent” means any notice, authorization, qualification, registration, filing, notification, waiver, Order, clearance, consent or approval to be obtained from, filed with or delivered to, a Governmental Entity or other Person.

“Contract” or “Contracts” means any agreement, contract, license, franchise, note, bond, mortgage, indenture, guarantee, lease, obligation, undertaking or other commitment or arrangement (whether oral or written) that is legally binding upon a Person or any of his, her or its properties or assets, including any CBA, and any amendments thereto.

“Conversion Factor” shall mean the number calculated in accordance with the methodology set forth on Exhibit G by which each Company Ordinary Share outstanding immediately following the Company Preferred Share Conversion will be multiplied in order to effect the Stock Split in accordance with Section 2.1(c), which number shall be calculated and determined as of the Measurement Time by the Company in accordance with Section 2.1(a).

“Copyrights” has the meaning set forth in the definition of Intellectual Property Rights.

“COVID-19” means SARS-CoV-2, coronavirus or COVID-19, and any evolutions thereof or related or associated epidemics, pandemic or disease outbreaks.

“COVID-19 Measures” means any (i) quarantine, “shelter in place,” “stay at home,” social distancing, mask wearing, temperature taking, personal declaration, “purple badge standard,” shut down, closure, sequester or any other Law, decree, judgment, injunction or other Order, directive, guidelines or recommendations by any Governmental Entity or industry group in connection with or in response to COVID-19 pandemic, including, the CARES Act, and (ii) any action taken, or omitted to be taken, by any Group Company to the extent such act or omission is reasonably determined by the Company, based on the advice of legal counsel, to be reasonably necessary to comply with any Law, Order, directive, pronouncement or guideline issued by a Governmental Entity providing for business closures, “sheltering-in-place” or other restrictions that relates to, or arises out of, COVID-19 or to respond to COVID-19, including to maintain and preserve the business organization, assets, properties and business relations of the Group Companies (or with respect to health and safety).

“Creator” has the meaning set forth in Section 3.13(d).

“DGCL” means the Delaware General Corporation Law.

“D&O Persons” has the meaning set forth in Section 5.14(a).

“Effective Time” has the meaning set forth in Section 2.2(b).

“Employee Benefit Plan” means each “employee benefit plan” (as such term is defined in Section 3(3) of ERISA, whether or not subject to ERISA), each severance, gratuity, termination indemnity, incentive, commissions or bonus, retention, change in control, deferred compensation, profit sharing, retirement, relocation, welfare, post-employment welfare, vacation, sick leave, or paid-time-off, stock purchase, stock option or equity incentive plan, program, policy, Contract, or arrangement (whether formal or informal) and each other stock purchase, stock option or other equity or equity-based, termination, severance, transition, employment, individual consulting, retention, transaction, change-in-control, fringe benefit, pension (including pension funds, managers’ insurance and/or similar funds, and education fund (“keren hishtalmut”)), bonus, incentive, deferred compensation, employee loan or other compensation or benefit plans, agreements, programs, policies or other arrangements, whether or not subject to ERISA, that any Group Company maintains, sponsors, contributes to or is required to contribute to, or under or with respect to which any Group Company has any Liability or with respect to which any Group Company has or could reasonably be expected to have any Liability, other than any plan required by applicable Law that is sponsored or maintained by a Governmental Entity.

“Environmental Laws” means all Laws, Orders or binding policy concerning pollution, protection of the environment, natural resources, or human health or safety (to the extent relating to exposure to Hazardous Substances).

“Environmental Permit” means any approval, permit, registration, certification, license, clearance or consent required to be obtained from any Person or any Governmental Entity under any Environmental Law.

“Equity Securities” means any share, share capital, capital stock, partnership, membership, joint venture or similar interest in any Person (including any stock appreciation, phantom stock, profit participation or similar rights), and any option, warrant, right or security (including debt securities) convertible, exchangeable or exercisable therefor.

“Equity Value” means \$850,000,000.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“Evaluation Material” means certain confidential and proprietary information in the possession of SPAC of third parties received in connection with the SPAC’s evaluation of alternative business combinations, including but not limited to, information concerning the business, financial condition, operations, assets and liabilities, trade secrets, know-how, technology, customers, business plans, intellectual property, promotional and marketing efforts, the existence and progress of financings, mergers, sales of assets, take-overs or tender offers of third parties, including SPAC’s and its Representatives’ internal notes and analysis concerning such information

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended.

“Exchange Agent” has the meaning set forth in Section 2.6(a).

“Exchange Fund” has the meaning set forth in Section 2.6(b).

“Excluded Share” has the meaning set forth in Section 2.3(d).

“Federal Securities Laws” means the Exchange Act, the Securities Act and the other U.S. federal securities laws and the rules and regulations of the SEC promulgated thereunder or otherwise.

“Financial Statements” has the meaning set forth in Section 3.4(a).

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“Foreign Benefit Plan” means each Employee Benefit Plan maintained by any of the Group Companies for its current or former employees, officers, directors, owners or other individual service providers located outside of the United States.

“Fraud” means actual and intentional common law fraud under Delaware law with respect to the express representations and warranties set forth in this Agreement and the Ancillary Documents against the Person committing such fraud.

“GAAP” means United States generally accepted accounting principles.

“Governing Documents” means the legal document(s) by which any Person (other than an individual) establishes its legal existence or which govern its internal affairs. For example, the “Governing Documents” of a U.S. corporation are its certificate or articles of incorporation and by-laws, the “Governing Documents” of a U.S. limited partnership are its limited partnership agreement and certificate of limited partnership, the “Governing Documents” of a U.S. limited liability company are its operating or limited liability company agreement and certificate of formation and the “Governing Documents” of an Israeli company are its incorporation certificate and articles of association.

“Governmental Entity” means any United States, Israeli or other foreign or international (a) federal, state, local, municipal or other government, (b) governmental or quasi-governmental entity of any nature (including any governmental agency, branch, department, official, or entity and any court or other tribunal), (c) body exercising or entitled to exercise any administrative, executive, judicial, legislative, police, regulatory, or taxing authority or power of any nature, including any arbitrator or arbitral tribunal (public or private) or (d) the Israel Innovation Authority (previously known as the Office of the Chief Scientist at the Israeli Ministry of Economy) or any other body operating under the Israeli Ministry of the Economy or the Israeli Ministry of Finance.

“Governmental Grant” means any grant, incentive, subsidy, award, loan, participation, exemption, status, cost sharing arrangement, reimbursement arrangement or other benefit, relief or privilege provided or made available by or on behalf of or under the authority of the Israel Innovation Authority, the Investment Center of the Israeli Ministry of Economy and Industry, the Israel Tax Authority (solely with respect to “benefit” or “approved” enterprise status or similar programs), the State of Israel, and any other bi- or multi-national grant program, framework or foundation (including the BIRD foundation) for research and development, the European Union, the Fund for Encouragement of Marketing Activities of the Israeli Government or any other Governmental Entity.

“Group Company” and “Group Companies” means, collectively, the Company and its Subsidiaries (other than Merger Sub), which shall include the Surviving Company and its Subsidiaries from immediately after the Effective Time.

“Hazardous Substance” means any hazardous, toxic, explosive or radioactive material, substance, waste or other pollutant that is regulated by, or may give rise to Liability pursuant to, any Environmental Law, or has been defined, designated, regulated or listed by any Governmental Entity as “hazardous,” “toxic,” a “pollutant,” a “contaminant,” or words of similar import under any Environmental Law, and any material mixture or solution that contains Hazardous Substance, including any petroleum products or byproducts, asbestos, lead, polychlorinated biphenyls, per- and poly-fluoroalkyl substances, or radon, in each case, to the extent regulated by any Environmental Law.

“Indebtedness” means, as of any time, without duplication, with respect to any Person, the outstanding principal amount of, accrued and unpaid interest on, fees, expenses and other payment obligations (including any prepayment penalties, premiums, costs, breakage, termination fees or other amounts payable upon the discharge thereof) arising under or in respect of (a) indebtedness for borrowed money or indebtedness issued or incurred in substitution or exchange for indebtedness for borrowed money, (b) other obligations evidenced by any note, bond, debenture or other debt security, (c) obligations for the deferred and unpaid purchase price of property, assets or services, including “earn-outs” and “seller notes” (but excluding any amounts payable under purchase orders made in the ordinary course of business, including any trade payables), (d) reimbursement and other obligations with respect to letters of credit, bank guarantees, bankers’ acceptances or other similar instruments, in each case, solely to the extent drawn, (e) leases (other than operating leases) required to be capitalized under GAAP, (f) derivative, hedging, swap, cap, collar, foreign exchange or similar arrangements, including all obligations or unrealized Losses of the Group Companies pursuant to hedging or foreign exchange arrangements, or (g) any of the obligations of any other Person of the type referred to in clauses (a) through (f) above guaranteed by such Person or secured by any assets of such Person, whether or not such Indebtedness has been assumed by such Person.

“Intellectual Property Rights” means all intellectual property and proprietary rights and related priority rights protected, created or arising under the laws of the United States or any other jurisdiction or under any international convention, including all (a) patents and patent applications, industrial designs and design patent rights, including any continuations, divisionals, continuations-in-part and provisional applications and statutory invention registrations, and any patents issuing on any of the foregoing and any reissues, reexaminations, substitutes, supplementary protection certificates, extensions of any of the foregoing (collectively, “Patents”); (b) trademarks, service marks, trade names, service names, brand names, trade dress rights, logos, corporate names and other source or business identifiers, together with the goodwill associated with any of the foregoing, and all applications, registrations, extensions and renewals of any of the foregoing (collectively, “Marks”); (c) Internet domain names, (d) copyrights and works of authorship, database and design rights, whether or not registered or published, and all registrations, applications, renewals, extensions and reversions of any of any of the foregoing (collectively, “Copyrights”); (e) all rights in mask works, mask work registrations and applications therefor, and any equivalent or similar rights in semiconductor masks, layouts, architectures or topology, (f) trade secrets and other intellectual property rights in methodologies, know-how and confidential and proprietary information, including invention disclosures, inventions and formulae, whether patentable or not; and (g) intellectual property rights in or to semiconductor or other technology.

“Intended Tax Treatment” has the meaning set forth in Section 5.5(b).

“Investment Company Act” means the Investment Company Act of 1940, as amended.

“Investor Rights Agreement” means that certain Amended and Restated Investors’ Rights Agreement, dated as of August 2, 2018, by and among the Company and the investors party thereto.

“IPO” has the meaning set forth in Section 8.18.

“IRS” means the United States Internal Revenue Service.

“Israeli Companies Law” means the Israeli Companies Law, 5759-1999, as amended.



“IT Assets” means any and all computers, Software, hardware, firmware, middleware, servers, workstations, routers, hubs, switches, data communications lines databases, and all other information technology equipment, in each case, owned, leased, or licensed or otherwise under the control of any Group Company and used or held for use in the conduct of the business of any Group Company.

“JOBS Act” means the Jumpstart Our Business Startups Act of 2012, as amended.

“Key Employees” means the individuals listed in Annex A.

“Latest Balance Sheet” has the meaning set forth in Section 3.4(a).

“Law” means any federal, state, local, foreign, national or supranational statute, law (including common law), act, statute, ordinance, treaty, rule, code, regulation, order (including extension order), judgment, injunction, ruling, award, decree, writ or other binding directive or guidance issued, promulgated or enforced by a Governmental Entity having jurisdiction over a given matter. Unless explicitly stated herein, “Law” does not include COVID-19 Measures.

“Leased Real Property” has the meaning set forth in Section 3.19(b).

“Liability” or “liability” means any and all debts, liabilities and obligations, whether accrued or fixed, absolute or contingent, known or unknown, matured or unmatured or determined or determinable, including those arising under any Law (including any Environmental Law), Proceeding or Order and those arising under any Contract, agreement, arrangement, commitment or undertaking.

“Lien” means any mortgage, pledge, security interest, encumbrance, lien, license or sub-license, charge, or other similar encumbrance or interest (including, in the case of any Equity Securities, any voting, transfer or similar restrictions).

“Malicious Code” means any “back door,” “drop dead device,” “time bomb,” “Trojan horse,” “virus,” “worm,” “spyware” or “adware” (as such terms are commonly understood in the software industry) or other Software that is designed to (a) materially disrupt or adversely affect the functionality of any Software or IT Assets or (B) enable or assist any Person to access without authorization any Software or IT Assets.

“Marks” has the meaning set forth in the definition of Intellectual Property Rights.

“Material Contracts” has the meaning set forth in Section 3.7(a).

“Material Permits” has the meaning set forth in Section 3.6.

“Measurement Time” means 5:00 P.M. Eastern Time on the later of: (i) the date of the SPAC Stockholder Meeting and (ii) the date that is 3 Business Days prior to Closing.

“Merger” has the meaning set forth in the recitals to this Agreement.

“Merger Sub” has the meaning set forth in the introductory paragraph to this Agreement.

“Multiemployer Plan” has the meaning set forth in Section (3)37 or Section 4001(a)(3) of ERISA.

“Non-Party Affiliate” has the meaning set forth in Section 8.13.

“NYSE” means the New York Stock Exchange, or any successor thereto.

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“Off-the-Shelf Software” means any shrink-wrap or click-wrap Software or any other Software that is made generally available to the public on a commercial basis and is licensed to any of the Group Companies on a non-exclusive basis.

“Offer” has the meaning set forth in the recitals to this Agreement.

“Order” means any writ, order, extension order, judgment, injunction, decision, determination, award, ruling, verdict or decree entered, issued or rendered by any Governmental Entity.

“ordinary course of business”, “normal course of business” and other similar phrases when referring to a Group Company means actions taken by a Group Company that are consistent with the past usual day-to-day customs and practices of such Group Company in the ordinary course of operations of the business (taking into account COVID-19 Measures).

“Ordinance” means the Israeli Income Tax Ordinance [New Version], as amended, and the rules and regulations promulgated thereunder.

“Parties” has the meaning set forth in the introductory paragraph to this Agreement.

“Patents” has the meaning set forth in the definition of Intellectual Property Rights.

“PCAOB” means the Public Company Accounting Oversight Board.

“Permits” means any approvals, authorizations, clearances, licenses, registrations, permits or certificates of a Governmental Entity.

“Permitted Liens” means (a) mechanic’s, materialmen’s, carriers’, repairers’ and other similar statutory Liens arising or incurred in the ordinary course of business for amounts that are not yet due and payable or are being contested in good faith by appropriate proceedings and for which sufficient reserves have been established in accordance with GAAP, (b) Liens for Taxes, assessments or other governmental charges not yet due and payable as of the Closing Date or which are being contested in good faith by appropriate proceedings and for which sufficient reserves have been established in accordance with GAAP, (c) encumbrances and restrictions on real property (including easements, covenants, conditions, rights of way and similar restrictions) that do not or would not prohibit or materially interfere with any of the Group Companies’ use or occupancy of such real property, (d) zoning, building codes and other land use Laws regulating the use or occupancy of real property or the activities conducted thereon that are imposed by any Governmental Entity having jurisdiction over such real property and which are not violated by the use or occupancy of such real property or the operation of the businesses of the Group Company and do not prohibit or materially interfere with any of the Group Companies’ use or occupancy of such real property, (e) cash deposits or cash pledges to secure the payment of workers’ compensation, unemployment insurance, social security benefits or obligations arising under similar Laws or to secure the performance of public or statutory obligations, surety or appeal bonds, and other obligations of a like nature, in each case in the ordinary course of business and which are not yet due and payable, and (f) non-exclusive licenses of Intellectual Property Rights granted in the ordinary course of business.

“Person” means an individual, partnership, corporation, limited liability company, joint stock company, unincorporated organization or association, trust, joint venture or other similar entity, whether or not a legal entity, or Governmental Entity.

“Personal Information” means, to the extent regulated by Privacy Laws, “personal data”, “personally identifiable information”, “PII” or all information that identifies or could be used to directly or indirectly identify an individual person.

“PIPE Financing” has the meaning set forth in the recitals to this Agreement.

“Preferred Majority” means the holders of at least 65% of the issued and outstanding Company Preferred Shares, voting together as a single class, on an as converted to Company Ordinary Shares basis, including at least 75% of the issued and outstanding Company Preferred D Shares and at least 50% of the issued and outstanding Company Preferred E Shares, in each case voting together as a single class, on an as converted to Company Ordinary Shares basis.

“Privacy Laws” means (a) applicable laws relating to the Processing of Personal Information, including, to the extent applicable, the California Consumer Privacy Act, the Israeli Protection of Privacy Law, 5741-1981, Regulation (EU) 2016/679 and any laws implementing that Regulation, the UK Data Protection Act 2018, the UK General Data Protection Regulation as defined by the UK Data Protection Act 2018 as amended by the Data Protection, Privacy and Electronic Communications (Amendments etc) (EU Exit) Regulations 2019, Directive 2002/58/EC of the European Parliament and of the Council of 12 July 2002 on privacy and electronic communications and the Privacy and Electronic Communications (EC Directive) Regulations 2003, the CAN-SPAM Act, and any applicable international laws, rules or regulations requiring a person or Governmental Entity to be notified of any situation where there is, or reason to believe there has been, a loss, misuse, or unauthorized access, disclosure or acquisition of Personal Information; and (b) industry standards applicable to the Group Companies’ businesses.

“Proceeding” means any lawsuit, litigation, action, audit, investigation, inquiry, examination, claim, complaint, charge, grievance, legal proceeding, administrative enforcement proceeding, suit or arbitration (in each case, whether civil, criminal or administrative and whether public or private) pending by or before or otherwise involving any Governmental Entity (other than office actions and similar proceedings in connection with the prosecution of applications for registration or issuance of Intellectual Property Rights).

“Processed”, “Processes”, or “Processing” means any operation or set of operations which is performed upon Personal Information, whether or not by automatic means, including but not limited to: collection, recording, organization, storage, adaptation or alteration, retrieval, consultation, use, disclosure by transmission, dissemination or otherwise making available, alignment or combination, blocking, erasure or destruction.

“Proxy Statement” has the meaning set forth in Section 5.7.

“Public Stockholders” has the meaning set forth in Section 8.18.

“Public Software” means any Software application that (a) is licensed pursuant to any license that is approved by the Open Source Initiative and listed at <http://www.opensource.org/licenses>, including the GNU General Public License (GPL), the GNU Lesser General Public License (LGPL), the GNU Affero GPL, the MIT license, the Eclipse Public License, the Common Public License, the CDDL, the Mozilla Public License (MPL), the Artistic License, the Netscape Public License, the Sun Community Source License (SCSL), and the Sun Industry Standards License (SISL); or (b) contains, includes, or incorporates, any Software that is distributed as free Software or open source Software or similar licensing or distribution models, in each case of (a) or (b), whether or not source code is available or included in such license, and

including under any terms or conditions that impose any requirement that any Software using, linked with, incorporating, distributed with or derived from such Public Software (i) be made available or distributed in source code form; (ii) be licensed for purposes of making derivative works; or (iii) be redistributable at no, or a nominal, charge.

“Real Property Leases” means all leases, sub-leases, licenses or other agreements, in each case, pursuant to which any Group Company leases, sub-leases or otherwise occupies any real property.

“Registered Intellectual Property” means all issued Patents, pending Patent applications, registered Marks, pending applications for registration of Marks, registered Copyrights, pending Copyright applications, Internet domain name registrations and mask work registrations and applications therefor.

“Registration Rights Agreement” has the meaning set forth in the recitals to this Agreement.

“Registration Statement / Proxy Statement” has the meaning set forth in Section 5.7.

“Released Claims” has the meaning set forth in Section 8.18.

“Reorganization Covenants” has the meaning set forth in Section 5.5(c).

“Representatives” means with respect to any Person, such Person’s Affiliates and its and such Affiliates’ respective directors, managers, officers, employees, accountants, consultants, advisors, attorneys, agents and other representatives.

“Requisite Majority” means the votes required to obtain the Company Shareholder Approval and the Company Preferred Shareholder Approval.

“Restricted Cash” means all Cash that is held (x) as security deposits (other than in connection with real estate leases), (y) on behalf of third parties, or (z) pledged or held as collateral in escrow or other restricted accounts, including under the terms and conditions of any Indebtedness or any other credit agreement, security agreement or Contract.

“Sanctions and Export Control Laws” means any applicable Law related to (a) import and export controls, including the U.S. Export Administration Regulations, 15 C.F.R. Parts 730-774), and the Export Controls Act of 2018, 22 U.S.C. 2751 et seq., the Israeli Control of Products and Services Order (Engagement in Encryption), 5735-1974, the Israeli Defense Export Control Order (Combat Equipment), 5768-2008, the Israeli Defense Export Control Law, 5767-2007, and Israeli Ministry of Economy List of Source Items and Dual Use Items, and all other export control laws administered by the Israeli Ministry of Defense, including the Israeli Trading With the Enemy Ordinance, 1939, (b) economic or financial sanctions imposed, administered or enforced by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. Department of State, the European Union, any European Union Member State, the United Nations, Her Majesty’s Treasury of the United Kingdom, or the State of Israel, or (c) anti-boycott measures.

“Sarbanes-Oxley Act” means the Sarbanes-Oxley Act of 2002, as amended.

“Schedules” means, collectively, the Company Disclosure Schedules and the SPAC Disclosure Schedules.

“SEC” means the U.S. Securities and Exchange Commission.

“SEC SPAC Warrant Statement” means the Statement on Accounting and Reporting Considerations for Warrants Issued by Special Purpose Acquisition Companies, issued by the SEC on April 12, 2021.

“Securities Act” means the Securities Act of 1933, as amended.

“Securities Laws” means Federal Securities Laws, the Israeli Securities Law, 5728-1968, and other applicable foreign and domestic securities or similar Laws.

“Signing Filing” has the meaning set forth in Section 5.4(b).

“Signing Press Release” has the meaning set forth in Section 5.4(b).

“Software” shall mean any and all (a) computer programs, including any and all software implementations of algorithms, models and methodologies, whether in source code or object code; (b) databases and compilations, including any and all data and collections of data, whether machine readable or otherwise; (c) descriptions, flowcharts and other work product used to design, plan, organize and develop any of the foregoing, screens, user interfaces, report formats, firmware, development tools, templates, menus, buttons and icons; and (d) all documentation, including user manuals and other training documentation, related to any of the foregoing.

“SPAC Acquisition Proposal” means (a) any transaction or series of related transactions under which SPAC or any of its controlled Affiliates, directly or indirectly, (i) acquires or otherwise purchases, or is acquired by or otherwise purchased by, any other Person(s), (ii) engages in a business combination with any other Person(s) or (iii) acquires or otherwise purchases all or a material portion of the assets or businesses of any other Persons(s) (in the case of each of clause (i), (ii) and (iii), whether by merger, consolidation, recapitalization, purchase or issuance of Equity Securities, tender offer or otherwise) or (b) any equity, debt or similar investment in SPAC or any of its controlled Affiliates. Notwithstanding the foregoing or anything to the contrary herein, none of this Agreement, the Ancillary Documents nor the Transactions shall constitute a SPAC Acquisition Proposal.

“SPAC Benefit Plans” has the meaning set forth in Section 4.19.

“SPAC Board” has the meaning set forth in the recitals to this Agreement.

“SPAC Board Recommendation” has the meaning set forth in Section 5.8.

“SPAC Change in Recommendation” has the meaning set forth in Section 5.8.

“SPAC Disclosure Schedules” means the disclosure schedules to this Agreement delivered to the Company by SPAC on the date of this Agreement.

“SPAC Expenses” means, as of any determination time, the aggregate amount of fees, expense, commissions or other amounts incurred by or on behalf of, or otherwise payable by, whether or not due, SPAC in connection with the negotiation, preparation or execution of this Agreement or any Ancillary Documents, the performance of its covenants or agreements in this Agreement or any Ancillary Document or the consummation of the Transactions, including (a) the fees and expenses of outside legal counsel, accountants, advisors, brokers, investment bankers, consultants, or other agents or service providers of SPAC and (b) any other fees, expenses, commissions or other amounts that are expressly allocated to SPAC pursuant to this Agreement or any Ancillary Document, including fifty percent (50%) of all fees for registering the Company Securities on the Registration Statement, fifty percent (50%) of all fees for the application for listing the Company Securities on NYSE, fifty percent (50%) of all filing fees (if any) for any filings pursuant to any applicable Antitrust Laws and fifty percent (50%) of all Transfer Taxes. Notwithstanding the foregoing or anything to the contrary herein, SPAC Expenses shall not include any Company Expenses.

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“SPAC Financial Statements” means all of the financial statements of SPAC included in the SPAC SEC Reports.

“SPAC Fundamental Representations” means the representations and warranties set forth in Section 4.1 (Organization and Qualification), Section 4.2 (Authority), Section 4.4 (Brokers), Section 4.6 (Capitalization of SPAC) and Section 4.18 (Absence of Changes).

“SPAC Liabilities” means, as of any determination time, the aggregate amount of Liabilities of SPAC that would be accrued on a balance sheet in accordance with GAAP, whether or not such Liabilities are due and payable as of such time (excluding any SPAC Expenses), which shall include any deferred underwriting commissions.

“SPAC Non-Party Affiliates” means, collectively, each SPAC Related Party and each of the former, current or future Affiliates, Representatives, successors or permitted assigns of any SPAC Related Party (other than, for the avoidance of doubt, SPAC).

“SPAC Prospectus” has the meaning set forth in Section 8.18.

“SPAC Related Party” has the meaning set forth in Section 4.10.

“SPAC Related Party Transactions” has the meaning set forth in Section 4.10.

“SPAC SEC Reports” has the meaning set forth in Section 4.7.

“SPAC Share” means a share of common stock of SPAC, par value \$0.0001 per share.

“SPAC Stockholder Approval” means approval of the Transaction Proposals by the affirmative vote of the holders of the requisite number of SPAC Shares entitled to vote thereon, whether in person or by proxy at the SPAC Stockholders Meeting (or any adjournment thereof), in accordance with the Governing Documents of SPAC and applicable Law.

“SPAC Stockholder Redemption” means the right of the holders of SPAC Shares to redeem all or a portion of their SPAC Shares (in connection with the transactions contemplated by this Agreement or otherwise) as set forth in Governing Documents of SPAC and the Trust Agreement.

“SPAC Stockholders” means, collectively, holders of SPAC Shares, Sponsor and holders of SPAC Warrants.

“SPAC Stockholders Meeting” has the meaning set forth in Section 5.8.

“SPAC Unit” means a unit of SPAC, par value \$0.0001 per unit, consisting of (a) one (1) SPAC Share and (b) one SPAC Warrant.

“SPAC Warrant” means a warrant entitling the holder to purchase 1/2 of a SPAC Share per warrant at a price of \$11.50 per a whole share, subject to adjustment in accordance with the Warrant Agreement (including, for the avoidance of doubt, each such warrant held by Sponsor).

“Sponsor” means PTK Holdings LLC.

“Sponsor Letter Agreement” has the meaning set forth in the recitals to this Agreement.

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“Standard Inbound License” means (a) licenses for Off-the-Shelf Software, (b) licenses for Public Software, (c) licenses contained in the applicable standard form contract entered into by the Group Companies with its employees and individual contractors, and (d) incidental trademark and feedback licenses granted in the ordinary course of business.

“Standard Outbound License” means (a) non-exclusive licenses granted to customers of the Group Companies pursuant to a Contract that (i) does not materially differ from the Group Companies’ form therefor that has been made available to SPAC or (ii) otherwise contains a non-exclusive license substantially similar in scope to that contained in the Group Companies’ form; (b) incidental trademark and feedback licenses granted in the ordinary course of business; and (c) non-exclusive licenses to the Group Companies’ service providers for the sole purpose of providing services to the Group Companies.

“Stock Split” has the meaning set forth in Section 2.1(c).

“Subscribers” has the meaning set forth in the recitals to this Agreement.

“Subscription Agreements” has the meaning set forth in the recitals to this Agreement.

“Subsidiary” means, with respect to any Person, any corporation, limited liability company, partnership or other legal entity of which (a) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person or a combination thereof, or (b) if a limited liability company, partnership, association or other business entity (other than a corporation), a majority of the partnership or other similar ownership interests thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more Subsidiaries of such Person or a combination thereof and for this purpose, a Person or Persons own a majority ownership interest in such a business entity (other than a corporation) if such Person or Persons shall be allocated a majority of such business entity’s gains or losses or shall be a, or control any, managing director or general partner of such business entity (other than a corporation). The term “Subsidiary” shall include all Subsidiaries of such Subsidiary.

“Supporting Company Shareholders” has the meaning set forth in the recitals to this Agreement.

“Surviving Company” has the meaning set forth in Section 2.2(a).

“Surviving Company Common Stock” has the meaning set forth in Section 2.3(d).

“Tax” means any federal, state, local or non-United States income, gross receipts, franchise, estimated, alternative minimum, sales, use, transfer, value added, excise, stamp, customs, duties, ad valorem, real property, personal property (tangible and intangible), capital stock, social security, national health insurance, unemployment, payroll, wage, employment, severance, occupation, registration, environmental, communication, mortgage, profits, license, lease, service, goods and services, withholding, premium, turnover, windfall profits or other taxes of any kind whatever, whether computed on a separate or combined, unitary or consolidated basis or in any other manner, together with any interest, deficiencies, penalties, additions to tax, or additional amounts imposed by any Governmental Entity with respect thereto, whether as a primary obligor or as a result of being a transferee or successor of another Person or a member of an affiliated, consolidated, unitary, combined or other group.

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“Tax Authority” means any Governmental Entity responsible for the collection or administration of Taxes or Tax Returns.

“Tax Return” means returns, information returns, statements, declarations, claims for refund, schedules, attachments and reports relating to Taxes filed or required to be filed with any Governmental Entity, including any schedule or attachment thereto and including any amendments thereof.

“Termination Date” has the meaning set forth in Section 7.1(d).

“Trading Day” means a day on which trading in shares of the Surviving Company Common Stock occurs on the NYSE.

“Transactions” has the meaning set forth in the recitals to this Agreement.

“Transaction Litigation” has the meaning set forth in Section 5.2(c).

“Transaction Proposals” has the meaning set forth in Section 5.8.

“Transaction Support Agreements” has the meaning set forth in the recitals to this Agreement.

“Transfer Taxes” has the meaning set forth in Section 5.5(a).

“Trust Account” has the meaning set forth in Section 8.18.

“Trust Agreement” has the meaning set forth in Section 4.8(a).

“Trustee” has the meaning set forth in Section 4.8(a).

“Unpaid Company Expenses” means the Company Expenses that are unpaid as of immediately prior to the Closing.

“Unpaid SPAC Expenses” means the SPAC Expenses that are unpaid as of immediately prior to the Closing.

“Unpaid SPAC Liabilities” means the SPAC Liabilities as of immediately prior to the Closing.

“Unvested Company Equity Awards” means any Company Equity Award (or portion thereof) that is not a Vested Company Equity Award.

“VAT” has the meaning set forth in Section 3.17(f).

“Vested Company Equity Awards” means any Company Equity Award (or portion thereof) that has become vested or is expected to vest on or prior to the Effective Time in accordance with the terms of the Company Equity Plan and such Company Equity Award (after taking into consideration any accelerated vesting that may occur in connection with the Closing, if any).

“WARN Act” means the federal Worker Adjustment and Retraining Notification Act of 1988, as amended, or any similar Law.

“Warrant Agreement” means the Warrant Agreement, dated as of July 13, 2020, by and between SPAC and Continental Stock Transfer & Trust Company.

“Willful Breach” means a material breach that is a consequence of an act undertaken or a failure to act by the breaching party with the knowledge that the taking of such act or such failure to act would, or would reasonably be expected to, constitute or result in a breach of this Agreement.



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**ARTICLE II.**  
**MERGER**

Section 2.1 Pre-Closing Transactions.

(a) *Conversion Factor*. No later than two (2) Business Days prior to the Closing, the Company shall deliver to SPAC its good faith estimate of the Conversion Factor. The Company shall consider in good faith SPAC's comments thereto (or to any component thereof), it being understood that SPAC's approval of the Conversion Factor will not be a condition to SPAC's obligations to consummate the transactions contemplated hereunder and the Company shall have no obligation to revise the Conversion Factor to reflect any comments provided by SPAC.

(b) *Company Preferred Share Conversion*. Each Company Preferred Share issued and outstanding at the end of the date immediately prior to the Closing Date shall be converted into and become one Company Ordinary Share effective as of the end of such date immediately prior to the Closing Date (the "Company Preferred Share Conversion"). Each certificate previously evidencing Company Preferred Shares shall be exchanged for a certificate (if requested) representing the same number of Company Ordinary Shares upon the surrender of such certificate. Each certificate formerly representing Company Preferred Shares shall thereafter represent only the right to receive the same number of Company Ordinary Shares upon the surrender of such certificate.

(c) *Stock Split*. Immediately following the Company Preferred Share Conversion but prior to the Effective Time, each Company Ordinary Share that is issued and outstanding immediately prior to the Effective Time shall be converted into a number of Company Ordinary Shares determined by multiplying each such Company Ordinary Share by the Conversion Factor (the "Stock Split" and, together with the Company Preferred Share Conversion, the "Capital Restructuring"); provided, that no fraction of a Company Ordinary Share will be issued by virtue of the Stock Split, and each Company Shareholder that would otherwise be so entitled to a fraction of a Company Ordinary Share (after aggregating all fractional Company Ordinary Shares that otherwise would be received by such Company Shareholder) shall instead be entitled to receive such number of Company Ordinary Shares to which such Company Shareholder would otherwise be entitled, rounded to the nearest whole Company Ordinary Share.

(d) *Company Options*. Immediately following the Company Preferred Share Conversion but prior to the Effective Time, all of the Company Options, whether vested or unvested, outstanding and unexercised immediately prior to the Effective Time, automatically and without any action on the part of any holder of such Company Options or beneficiary thereof, will be adjusted by multiplying the number of Company Ordinary Shares subject to such Company Option immediately prior to the Effective Time by the Conversion Factor, which product shall be rounded to the nearest whole number of shares, at a per share exercise price determined by dividing the per share exercise price of such Company Option immediately prior to the Effective Time by the Conversion Factor, which quotient shall be rounded to the nearest whole cent; provided, that the exercise price and the number of Company Ordinary Shares purchasable under each adjusted Company Option shall be determined in a manner consistent with the requirements of Section 409A of the Code and the applicable regulations promulgated thereunder; provided, further, that

in the case of any Company Option to which Section 422 of the Code applies, the exercise price and the number of Company Ordinary Shares purchasable under such adjusted Company Option shall be determined in accordance with the foregoing in a manner that satisfies the requirements of Section 424(a) of the Code. All Company Options shall continue to have and be subject to substantially the same terms and conditions as were applicable to such Company Option immediately before the Effective Time (including vesting (if applicable), expiration date and exercise provisions).

## Section 2.2 The Merger.

(a) On the terms and subject to the conditions set forth in this Agreement and in accordance with the applicable provisions of the DGCL, on the Closing Date, Merger Sub shall merge with and into SPAC (the "Merger") at the Effective Time. Following the Effective Time, the separate existence of Merger Sub shall cease and SPAC shall continue as the surviving company of the Merger (the "Surviving Company"), and a direct, wholly-owned subsidiary of the Company.

(b) At the Closing, the Merger shall be consummated in accordance with this Agreement and the DGCL and evidenced by a certificate of merger between Merger Sub and SPAC, in a form reasonable satisfactory to the Company and SPAC (the "Certificate of Merger"), such Merger to be consummated immediately upon filing of the Certificate of Merger or at such later time as may be agreed by SPAC and the Company in writing and specified in the Certificate of Merger (the time the Merger becomes effective being referred to herein as the "Effective Time").

(c) At the Effective Time, the effect of the Merger shall be as provided in this Agreement, the Certificate of Merger and the applicable provisions of the DGCL. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time, all the assets and property of every description, rights, business, undertakings, goodwill, benefits, immunities and privileges, agreements, powers and franchises, debts, Liabilities, duties and obligations of Merger Sub and SPAC shall become the assets, property, rights, business, undertakings, goodwill, benefits, immunities and privileges, agreements, powers and franchises, debts, Liabilities, duties and obligations of the Surviving Company (including all rights and obligations with respect to the Trust Account), which shall include the assumption by the Surviving Company of any and all agreements, covenants, duties and obligations of Merger Sub and SPAC set forth in this Agreement to be performed after the Effective Time.

(d) If, at any time after the Effective Time, any further action is necessary or desirable to carry out the purposes of this Agreement and to vest the Surviving Company with full right, title and interest in, to and under, and/or possession of, all assets, property, rights, privileges, powers and franchises of the Merger Sub and SPAC, the officers and directors of the Merger Sub and SPAC are fully authorized in the name of their respective corporations or otherwise to take, and will take, all such lawful and necessary action, so long as such action is not inconsistent with this Agreement.

(e) At the Effective Time, the Governing Documents of the Surviving Company shall be amended and restated to be in the form of the Governing Documents of Merger Sub in effect immediately prior to the Effective Time, until thereafter changed or amended as provided therein or by applicable Law.

(f) At the Effective Time, the directors and officers of Merger Sub immediately prior to the Effective Time shall be the initial directors and officers of the Surviving Company, each to hold office in accordance with the Governing Documents of the Surviving Company until such director's or officer's successor is duly elected or appointed and qualified, or until the earlier of their death, resignation or removal. At the Effective Time, the Company Board shall initially have a minimum of three (3) and a maximum of nine (9) members, with one being the then-current Chief Executive Officer of the Company, one (1) initially designated by the Sponsor (the "Sponsor Designee"), and up to seven (7) initially designated by the Company (the "Company Designees"). The Sponsor Designee and (x) three (3) of the Company Designees (in the case of a seven member Company Board) or (y) four (4) or five (5) of the Company Designees in the case of an eight (8) or nine (9) member Company Board, respectively, shall qualify as "independent" in accordance with NYSE requirements, as applicable, and the Sponsor Designee shall be reasonably acceptable to the Company. At the election of the Company, with effect from the Effective Time, the Company Board shall be divided into three (3) classes, designated Class I, II and III with each class consisting of an approximately equal number of directors determined by the Company (and Class III including the Sponsor Designee).

Section 2.3 Merger Consideration. At the Effective Time, by virtue of the Merger and without any action on the part of any Party or the holders of the securities of SPAC, holders of the securities of the Company or holders of the securities of Merger Sub (but subject to the Sponsor Letter Agreement):

(a) Each SPAC Unit issued and outstanding immediately prior to the Effective Time shall be automatically detached and the holder thereof shall be deemed to hold one (1) SPAC Share and one (1) SPAC Warrant, which underlying securities shall be converted in accordance with the applicable terms of this Section 2.3.

(b) Each SPAC Share (excluding, for the avoidance of doubt, any Excluded Shares) issued and outstanding (taking into consideration any SPAC Stockholder Redemption) immediately prior to the Effective Time shall be converted automatically into, and the holders of such SPAC Shares shall be entitled to receive from the Exchange Agent, for each SPAC Share, one (1) Company Ordinary Share after giving effect to the Capital Restructuring (the "Merger Consideration"), following which all SPAC Shares shall automatically be canceled and shall cease to exist by virtue of the Merger. The holders of SPAC Shares outstanding immediately prior to the Effective Time shall cease to have any rights with respect to such shares, except as provided herein or under applicable Law.

(c) Each SPAC Warrant that is issued and outstanding immediately prior to the Effective Time shall automatically and irrevocably be converted into a corresponding Company Warrant exercisable for one-half ( $1/2$ ) of a Company Ordinary Share under the terms and conditions of the Company Warrant Agreement.

(d) Each SPAC Share held immediately prior to the Effective Time by SPAC as treasury stock, including shares redeemed by the SPAC in connection with a SPAC Stockholder Redemption (if any) (each an "Excluded Share") shall be automatically canceled and extinguished, and no consideration shall be paid with respect thereto.

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(e) Each issued and outstanding share of capital stock of Merger Sub issued and outstanding immediately prior to the Effective Time shall be converted into and become one (1) validly issued, fully paid and non-assessable share of common stock, par value \$0.0001 per share, of the Surviving Company (the “Surviving Company Common Stock”), which shall constitute the only outstanding share of capital stock of the Surviving Company.

(f) The Conversion Factor shall be adjusted to reflect appropriately the effect of any share split, split-up, reverse share split, share dividend or share distribution (including any dividend or distribution of securities convertible into Company Ordinary Shares), reorganization, recapitalization, reclassification, combination, exchange of shares or other like change (in each case, other than the Capital Restructuring) with respect to Company Ordinary Shares occurring on or after the date hereof and prior to the Closing.

Section 2.4 No Fractional Company Ordinary Shares. No certificates for Company Ordinary Shares representing fractional Company Ordinary Shares or book entry credit of the same will be issued upon the conversion of SPAC Shares, and such fractional interests will not entitle the owner thereof to vote or to have any rights as a holder of any Company Ordinary Shares. Notwithstanding any other provision of this Agreement, in lieu of receiving any fraction of a Company Ordinary Share, all fractions of Company Ordinary Shares that otherwise would be issued hereunder shall be aggregated and the resulting fraction of a Company Ordinary Share will be rounded to the nearest whole Company Ordinary Share.

Section 2.5 Closing of the Transactions Contemplated by this Agreement. The closing of the transactions contemplated by this Agreement (the “Closing”) shall take place electronically by exchange of the closing deliverables by the means provided in Section 8.11 as promptly as reasonably practicable, but in no event later than the third (3rd) Business Day, following the satisfaction (or, to the extent permitted by applicable Law, waiver) of the conditions set forth in ARTICLE VI (other than those conditions that by their nature are to be satisfied at the Closing, but subject to satisfaction or waiver of such conditions) (the “Closing Date”) or at such other place, date and/or time as SPAC and the Company may agree in writing.

Section 2.6 Deliverables.

(a) As promptly as reasonably practicable following the date of this Agreement, but in no event later than ten (10) Business Days prior to the Closing Date, SPAC and the Company shall appoint Continental Stock Transfer & Trust Company (or its applicable Affiliate) as an exchange agent (the “Exchange Agent”) and enter into an exchange agent agreement with the Exchange Agent for the purpose of (i) exchanging each SPAC Share on the stock transfer books of SPAC immediately prior to the Effective Time for one (1) Company Ordinary Share pursuant to Section 2.3(b) (after giving effect to any required Tax withholding as provided under Section 2.7) and on the terms and subject to the other conditions set forth in this Agreement and (ii) exchanging each SPAC Warrant on the stock transfer books of SPAC immediately prior to the Effective Time for one (1) Company Warrant issuable in respect of such SPAC Warrant pursuant to Section 2.3(c) and on the terms and subject to the other conditions set forth in this Agreement. Notwithstanding

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the foregoing or anything to the contrary herein, in the event that such exchange agent is unable or unwilling to serve as the Exchange Agent, or if the Company and such exchange agent fail to agree on the terms of engagement of the Exchange Agent, then SPAC and the Company shall, as promptly as reasonably practicable thereafter, but in no event later than the Closing Date, mutually agree upon another exchange agent to serve as the Exchange Agent (in either case, such agreement not to be unreasonably withheld, conditioned or delayed), SPAC and the Company shall appoint and enter into an exchange agent agreement with such other exchange agent, who shall for all purposes under this Agreement constitute the Exchange Agent.

(b) At the Effective Time, the Company shall deposit, or cause to be deposited, with the Exchange Agent, for the benefit of the holders of SPAC Shares and SPAC Warrants, and for exchange in accordance with this [Section 2.6](#) through the Exchange Agent, (i) evidence of Company Ordinary Shares in book-entry form representing the Merger Consideration issuable pursuant to [Section 2.3\(b\)](#) in exchange for the SPAC Shares outstanding immediately prior to the Effective Time and (ii) evidence of Company Warrants in book-entry form representing the Company Warrants issuable pursuant to [Section 2.3\(c\)](#) in exchange for the SPAC Warrants, in each case after giving effect to any required Tax withholding as provided under [Section 2.7](#). All (i) shares in book-entry form representing the Merger Consideration issuable pursuant to [Section 2.3\(b\)](#) deposited with the Exchange Agent and (ii) warrants in book-entry form representing the Company Warrants issuable pursuant to [Section 2.3\(c\)](#) deposited with the Exchange Agent shall be collectively referred to in this Agreement as the “[Exchange Fund](#)”.

(c) Each SPAC Stockholder (including Sponsor) whose SPAC Shares have been converted into the right to receive the Merger Consideration pursuant to [Section 2.3\(b\)](#) shall be entitled to receive the number of Company Ordinary Shares to which he, she or it is entitled on the date provided in [Section 2.6\(e\)](#).

(d) Each SPAC Stockholder and Sponsor whose SPAC Warrants have been converted into the right to receive Company Warrants pursuant to [Section 2.3\(c\)](#) shall be entitled to receive Company Warrants to which he, she or it is entitled on the date provided in [Section 2.6\(e\)](#).

(e) The Company and SPAC shall take all necessary actions to cause the Merger Consideration and the Company Warrants to be issued in book-entry form within three (3) Business Days after the Effective Time.

(f) If the Merger Consideration is to be issued to a Person other than the SPAC Stockholder or Sponsor in whose name the transferred SPAC Share in book-entry form is registered, it shall be a condition to the issuance of the Merger Consideration that (i) such SPAC Share in book-entry form shall be properly transferred and (ii) the Person requesting such consideration pay to the Exchange Agent any transfer Taxes required as a result of such consideration being issued to a Person other than the registered holder of such SPAC Share in book-entry form or establish to the satisfaction of the Exchange Agent that such transfer Taxes have been paid or are not payable.

(g) If the Company Warrants to be issued to a Person other than the SPAC Stockholder in whose name the transferred SPAC Warrant in book-entry form is registered, it shall be a condition to the issuance of the Company Warrants that (i) such SPAC Warrant in book-entry form shall be properly transferred and (ii) the Person requesting such consideration pay to the Exchange Agent any transfer Taxes required as a result of such consideration being issued to a Person other than the registered holder of such SPAC Warrant in book-entry form or establish to the satisfaction of the Exchange Agent that such transfer Taxes have been paid or are not payable.

(h) No interest will be paid or accrued on the Merger Consideration or the Company Warrants to be issued pursuant to this ARTICLE II (or any portion thereof). From and after the Effective Time, until surrendered or transferred, as applicable, in accordance with this Section 2.6, each SPAC Share shall solely represent the right to receive the Merger Consideration to which such SPAC Share is entitled to receive pursuant to Section 2.3(b), as applicable, and each SPAC Warrant shall solely represent the right to receive the Company Warrants to which such SPAC Warrant is entitled to receive pursuant to Section 2.3(c).

(i) At the Effective Time, the stock transfer books of SPAC shall be closed and there shall be no transfers of SPAC Shares or SPAC Warrants that were outstanding immediately prior to the Effective Time.

(j) Any portion of the Exchange Fund that remains unclaimed by the SPAC Stockholders twelve (12) months following the Closing Date shall be delivered to the Company or as otherwise instructed by the Company, and any SPAC Stockholder who has not exchanged his, her or its SPAC Shares or SPAC Warrants, as applicable, for the Merger Consideration or the Company Warrants, as applicable, in accordance with this Section 2.6 prior to that time shall thereafter look only to the Company for the issuance of the Merger Consideration or the Company Warrants, as applicable, without any interest thereon. None of the Company, the Surviving Company or any of their respective Affiliates shall be liable to any Person in respect of any consideration delivered to a public official pursuant to any applicable abandoned property, unclaimed property, escheat, or similar Law. Any Merger Consideration or Company Warrants remaining unclaimed by the SPAC Stockholders immediately prior to such time when the amounts would otherwise escheat to or become property of any Governmental Entity shall become, to the extent permitted by applicable Law, the property of the Company free and clear of any claims or interest of any Person previously entitled thereto.

Section 2.7 Withholding. Each of SPAC, the Company, Merger Sub, the Exchange Agent and each of their respective Affiliates shall (i) be entitled to deduct and withhold (or cause to be deducted and withheld) from any amount payable pursuant to this Agreement such amounts as are required to be deducted and withheld under applicable Tax Law and (ii) duly pay over to the appropriate Governmental entity any amounts so deducted and withheld. To the extent that amounts are so withheld and remitted to the applicable Governmental Entity, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the Person in respect of which such deduction and withholding was made. Each of the Parties shall provide the other Parties with prompt notice of any withholding it believes is required (other than withholding in respect of compensatory payments, withholding resulting from the failure of the SPAC to provide the certificate required by Section 5.5(d), and backup withholding). The Parties shall cooperate in good faith to eliminate or reduce any such deduction or withholding (including through the request and provision of any statements, forms or other documents to reduce or eliminate any such deduction or withholding). Upon the written request of any Person with respect to which amounts were deducted or withheld, the payor shall provide such Person with a copy of documentary evidence of remittance of such amounts.

Section 2.8 PIPE Financing. Immediately following the Effective Time, the Company shall seek to consummate the PIPE Financing pursuant to, and in the amounts set forth in, the Subscription Agreements.

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**ARTICLE III.**  
**REPRESENTATIONS AND WARRANTIES RELATING**  
**TO THE GROUP COMPANIES AND MERGER SUB**

Except as set forth in the Company Disclosure Schedules, the Company and Merger Sub hereby represent and warrant to SPAC as follows:

Section 3.1 Organization and Qualification.

(a) Each Group Company and Merger Sub is a corporation, limited liability company or other applicable business entity duly organized or formed, as applicable, validly existing and in good standing (or the equivalent thereof, if applicable, in each case, with respect to the jurisdictions that recognize the concept of good standing or any equivalent thereof) under the laws of its jurisdiction of formation or organization (as applicable), except where the failure to be in good standing would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect. Section 3.1(a) of the Company Disclosure Schedules sets forth the jurisdiction of formation or organization (as applicable) for each Group Company and Merger Sub. Each Group Company and Merger Sub has the requisite corporate, limited liability company or other applicable business entity power and authority to own, lease and operate its material properties and to carry on its businesses as presently conducted in all material respects, except where the failure to have such power and authority, would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

(b) True and complete copies of the Governing Documents of the Group Companies and the Investor Rights Agreement have been made available to SPAC, in each case, as amended and in effect as of the date of this Agreement. The Governing Documents of the Group Companies and the Investor Rights Agreement are in full force and effect, and none of the Group Companies is in breach or violation in any material respect of any provision set forth in its Governing Documents or the Investor Rights Agreement.

(c) Each Group Company is duly qualified or licensed to transact business and is in good standing (or the equivalent thereof, if applicable, in each case, with respect to the jurisdictions that recognize the concept of good standing or any equivalent thereof) in each jurisdiction in which the property and assets owned, leased or operated by it, or the nature of the business conducted by it, makes such qualification or licensing necessary, except where the failure to be so qualified, licensed or in good standing, would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect. The Company has timely filed all requisite annual reports, paid all annual fees and has not been designated a “violating company” (as such term is understood under the Israeli Companies Law) by the Israeli Registrar of Companies, except where the failure to be have filed or paid such reports and fees, or to not be designated a “violating company”, would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

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(d) The Company has no direct or indirect Subsidiaries other than those listed in Section 3.1(d) of the Company Disclosure Schedules. Except as set forth in Section 3.1(d) of the Company Disclosure Schedules, the Company owns all of the outstanding equity securities of the Subsidiaries, free and clear of all Liens other than Permitted Liens, either directly or indirectly through one or more other Subsidiaries.

(e) Except with respect to the Subsidiaries, the Company does not own, directly or indirectly, any equity or voting interest in any Person and, except with respect to the Subsidiaries or as provided by this Agreement, the Company does not have any agreement or commitment to purchase any such interest, and has not agreed and is not obligated to make nor is bound by any Contract under which it may become obligated to make any future investment in or capital contribution to any other entity.

(f) From its incorporation on April 13, 2021, Merger Sub has not conducted any business activities other than as contemplated by this Agreement. Merger Sub has no assets or liabilities.

### Section 3.2 Capitalization of the Group Companies.

(a) Section 3.2(a) of the Company Disclosure Schedules sets forth a true and complete statement as of the date of this Agreement of (i) the number and class or series (as applicable) of all of the Equity Securities of the Company issued and outstanding and (ii) the identity of the Persons that are the record owners thereof. All of the Equity Securities of the Company have been duly authorized and validly issued. All of the outstanding Company Shares are fully paid and non-assessable. The issuance of Company Shares upon the exercise or conversion, as applicable, of Equity Securities that are derivative securities, will, upon exercise or conversion in accordance with the terms of such Equity Securities against payment therefor, be duly authorized, validly issued, fully paid and non-assessable. The Equity Securities of the Company (1) were not issued in violation of the Governing Documents of the Company, the Investor Rights Agreement, any other Contract to which the Company is party or bound and (2) are not subject to any preemptive rights, call option, right of first refusal, subscription rights, transfer restrictions or similar rights of (other than under the Governing Documents of the Company, the Investor Rights Agreement or transfer restrictions under applicable Securities Laws or) and were not issued in violation of any preemptive rights, call option, right of first refusal or first offer, subscription rights, transfer restrictions or similar rights of any Person. Except for the Company Equity Awards set forth on Section 3.2(a) of the Company Disclosure Schedules or the Company Equity Awards either permitted by Section 5.17 or issued, granted or entered into in accordance with Section 5.17, the Company has no outstanding options, restricted stock, phantom stock, stock or equity appreciation rights, equity ownership interests or other equity, equity-based or similar rights in the Company, warrants, purchase rights, subscription rights, conversion rights, exchange rights, calls, puts, preemptive rights, rights of first refusal or first offer or other Contracts or commitments of any kind of any character, written or oral, that could require the Company to issue, sell or otherwise cause to become outstanding or to acquire, repurchase or redeem any Equity Securities or securities convertible into or exchangeable for Equity Securities of the Company.



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(b) The Equity Securities of the Company have been offered, sold and issued in compliance with applicable Law, including Securities Laws. Except for the Governing Documents of the Company and the Company Investor Agreements, there are no voting trusts, proxies or other Contracts to which the Company is a party with respect to the voting or transfer of the Company's Equity Securities.

(c) Section 3.2(c) of the Company Disclosure Schedules sets forth a true and complete statement of (i) the number and class or series (as applicable) of all of the Equity Securities of each Subsidiary of the Company issued and outstanding and (ii) the identity of the Persons that are the record owners thereof. Other than as set forth in Section 3.2(c) of the Company Disclosure Schedules, there are no outstanding (A) stock or equity appreciation, phantom equity, or profit participation rights or (B) options, restricted stock, phantom stock, warrants, purchase rights, subscription rights, conversion rights, exchange rights, calls, puts, preemptive rights, rights of first refusal or first offer or other Contracts or commitments of any kind of any character, written or oral, that could require any Subsidiary of the Company to issue, sell or otherwise cause to become outstanding or to acquire, repurchase or redeem any Equity Securities or securities convertible into or exchangeable for Equity Securities of the Subsidiaries of the Company.

(d) Except for their respective Governing Documents and the Company Investor Agreements, there are no voting trusts, proxies or other Contracts with respect to the voting or transfer of any Equity Securities of any Subsidiary of the Company.

### Section 3.3 Authority.

(a) Each of the Company Parties has the requisite corporate, limited liability or other similar power and authority to execute and deliver this Agreement and each Ancillary Document to which it is or will be a party, to perform its obligations hereunder and thereunder, and to consummate the transactions contemplated hereby and thereby. Subject to the receipt of the Company Preferred Shareholder Approval and the Company Shareholder Approval, the execution and delivery of this Agreement, the Ancillary Documents to which any Company Party is or will be a party and the consummation of the transactions contemplated hereby and thereby have been (or, in the case of any Ancillary Document entered into after the date of this Agreement, will be upon execution thereof) duly authorized by all necessary corporate, limited liability company (or other similar) action on the part of the applicable Company Party. The Company Preferred Shareholder Approval and Company Shareholder Approval are the only approvals of holders of Company Equity Securities necessary to approve the Transactions. The affirmative vote of the Supporting Company Shareholders will constitute the Requisite Majority and be sufficient to obtain the Company Preferred Shareholder Approval and Company Shareholder Approval. This Agreement and each Ancillary Document to which either Company Party is or will be a party has been or will be, upon execution thereof, as applicable, duly and validly executed and delivered by the applicable Company Party, and constitutes or will constitute, upon execution and delivery thereof, as applicable, a valid, legal and binding agreement of the applicable Company Party (assuming that this Agreement and the Ancillary Documents to which either Company Party is or will be a party are or will be upon execution thereof, as applicable, duly authorized, executed and delivered by the other Persons party thereto), enforceable against the applicable Company Party in accordance with its terms (subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other Laws affecting generally the enforcement of creditors' rights and subject to general principles of equity).

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(b) The Company Board has unanimously: (i) determined that this Agreement and the Transactions are advisable and in the best interests of the Company and the Company Shareholders, (ii) approved the Transactions, and (iii) resolved to recommend to the Company Shareholders each of the matters set forth in the Company Shareholder Proposals and Company Preferred Shareholder Proposals.

Section 3.4 Financial Statements: Undisclosed Liabilities.

(a) The Company has made available to SPAC a draft of (i) the audited consolidated balance sheets of the Group Companies as of December 31, 2020 (including any comparison figures to the year ended December 31, 2019) and the related draft of statements of operations, changes in shareholders' equity and cash flows of the Group Companies for the year ended December 31, 2020 (including any comparison figures to the year ended December 31, 2019) and (ii) the unaudited consolidated balance sheets of the Group Companies as of March 31, 2021 (the "Latest Balance Sheet") and the related unaudited statements of operations, changes in shareholders' equity and cash flows of the Group Companies for the three (3)-month period then ended, each of which are attached as Section 3.4(a) of the Company Disclosure Schedules (all such balance sheets and statements, collectively, the "Financial Statements"). Each of the Financial Statements (including the notes thereto) (A) was prepared in accordance with GAAP applied on a consistent basis throughout the periods indicated (except as may be indicated in the notes thereto), (B) is based upon and consistent with information contained in the books and records of the Company and (C) fairly presents in all material respects in accordance with GAAP the financial position, results of operations and cash flows of the Group Companies as at the date thereof and for the period indicated therein, except as otherwise specifically noted therein. All financial statements delivered pursuant to Section 5.16, (A) will be prepared in accordance with GAAP applied on a consistent basis throughout the periods indicated (except as may be indicated in the notes thereto and, in the case of unaudited financial statements, subject to normal year-end adjustments and the absence of footnotes) and (B) will fairly present, in all material respects, the financial position, results of operations and cash flows of the Group Companies as of the date thereof and for the period indicated therein, except as otherwise specifically noted therein.

(b) Except (i) as set forth on the face of or otherwise provided for in the Latest Balance Sheet (or the notes thereto), (ii) for Liabilities incurred in the ordinary course of business since the date of the Latest Balance Sheet (none of which is a Liability for breach of contract, breach of warranty, tort, infringement or violation of Law) and (iii) for Liabilities incurred in connection with the negotiation, preparation or execution of this Agreement or any Ancillary Documents, the performance of their respective covenants or agreements in this Agreement or any Ancillary Document or the consummation of the Transactions, none of the Group Companies nor Merger Sub has any Liabilities of the type required to be set forth on a balance sheet in accordance with GAAP that would be material to the Group Companies, taken as a whole.

(c) The Group Companies have established and maintain systems of internal accounting controls that are designed to provide, in all material respects, reasonable assurance that (i) all transactions are executed in accordance with management's authorization and (ii) all transactions are recorded as necessary to permit preparation of proper and accurate financial statements in accordance with GAAP and to maintain accountability for the Group Companies' assets. The Group Companies maintain and, for all periods covered by the Financial Statements, have maintained books and records of the Group Companies in the ordinary course of business.

(d) Since January 1, 2018, no Group Company has received any written complaint, or, to the knowledge of the Company, any allegation, assertion or claim that there is (i) a "significant deficiency" in the internal controls over financial reporting of the Group Companies, (ii) a "material weakness" in the internal controls over financial reporting of the Group Companies or (iii) fraud, whether or not material, that involves management or other employees of the Group Companies who have a significant role in the internal controls over financial reporting of the Group Companies.

Section 3.5 Consents and Requisite Governmental Approvals: No Violations.

(a) Except as set forth in Section 3.5(a) of the Company Disclosure Schedules, no Consent, Permit, approval or authorization of, or designation, declaration or filing with or notification to, any Governmental Entity is required on the part of either Company Party with respect to the applicable Company Party's execution, delivery or performance of its obligations under this Agreement or the Ancillary Documents to which the applicable Company Party is or will be party or the consummation of the transactions contemplated by this Agreement or by the Ancillary Documents, except for (i) the filing with the SEC of (A) the Registration Statement / Proxy Statement and the declaration of the effectiveness thereof by the SEC and (B) any other documents or information required pursuant to applicable requirements, if any, of the Federal Securities Laws, (ii) compliance with and filings or notifications required to be filed with state securities regulators pursuant to "blue sky" Laws and state takeover Laws as may be required in connection with this Agreement, the Ancillary Documents or the Transactions, (iii) filing of the Certificate of Merger, (iv) applicable requirements of and filings under the Israeli Securities Law, 1968, and the rules and regulations thereunder or any other similar Laws, (v) the Company Shareholder Approval and the Company Preferred Shareholder Approval, (vi) filings pursuant to any applicable Antitrust Laws (or any investment laws or laws that provide for review of national security or defense matters), (vii) any other consents, approvals, authorizations, designations, declarations, waivers or filings, the absence of which would not have a Company Material Adverse Effect or prevent, materially delay or materially impair the ability of any Company Party to consummate the Transactions, or (viii) as otherwise set forth in Section 3.5(a) of the Company Disclosure Schedules.

(b) Subject to the receipt of the consents, approvals, authorizations and other requirements set forth in Section 3.5(a), neither the execution, delivery or performance by either Company Party of this Agreement nor the Ancillary Documents to which the applicable Company Party is or will be a party nor the consummation of the transactions contemplated hereby or thereby will, directly or indirectly (with or without due notice or lapse of time or both) (i) result in any breach of any provision of any Company Party's Governing Documents, (ii) result in a violation or breach of, or constitute a default or give rise to any right of termination, Consent, cancellation, amendment, modification, suspension, revocation or acceleration (with or without notice) under, any of the terms, conditions or provisions of (A) any Contract to which any Group Company or Merger Sub is a party or (B) any Material Permits, (iii) violate, or constitute a breach under, any

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Order or applicable Law to which any Group Company or Merger Sub or any of their respective properties or assets are bound or (iv) result in the creation of any Lien upon any of the assets or properties (other than any Permitted Liens) or Equity Securities of any Group Company or Merger Sub, except, in the case of any of clauses (ii) through (iv) above, as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect or reasonably be expected to have a material adverse effect on the ability of either Company Party to enter into or perform its obligations under this Agreement or consummate the Transactions.

Section 3.6 Permits. Each of the Group Companies has all material Permits that are required to own, lease or operate its properties and assets and to conduct its business as currently conducted (the "Material Permits"). Except as is not and would not reasonably be expected to be material to the Group Companies, taken as a whole, (i) each Material Permit is in full force and effect in accordance with its terms and (ii) no written notice of revocation, cancellation or termination of any Material Permit (or proposed revocation, cancellation or termination) has been received by any of the Group Companies.

Section 3.7 Material Contracts: No Defaults.

(a) Section 3.7(a) of the Company Disclosure Schedules sets forth a list of all Contracts (whether written or oral) to which a Group Company is a party as of the date hereof: (i) for the sale of Company services or for the purchase of products or services of at least \$500,000 per year or \$1,000,000 in the aggregate, (ii) that purports to limit, in any material respect, either the type of business or product line in which a Group Company may engage, the geographic area in which they may engage in business, the ability to solicit customers or the ability to sell or purchase any product, property or other asset (tangible or intangible), or any services, from any other Person or to sell any product or other asset to or perform any services for any other Person, (iii) containing any indemnification that represents a material obligation of a Group Company other than in the ordinary course of business, (iv) under which a Group Company has permitted any material asset to become subject to a Lien (including Permitted Liens) other than in the ordinary course of business, (v) that evidences indebtedness for borrowed money, whether incurred, assumed, guaranteed, or secured by any asset of a Group Company having an outstanding principal amount in excess of \$500,000, (vi) involving the acquisition or disposition, directly or indirectly, by merger or otherwise, of assets or Equity Interests of any other Person (other than another Group Company) with an aggregate value in excess of \$500,000 (other than assets acquired and sales of material, supply and inventory, in each case, in the ordinary course of business) pursuant to which a Group Company has material ongoing obligations (other than confidentiality obligations), or any Contract pursuant to which a Group Company has any ongoing obligations with respect to an "earn-out", contingent purchase price or other contingent or deferred payment obligation exceeding \$500,000, (vii) any CBA; (viii) any Contract (A) that is a settlement, conciliation or similar agreement with any Governmental Entity or (B) pursuant to which the Company or any of its Subsidiaries will have any material outstanding obligation after the date of this Agreement, (ix) any Contract that is for the employment or engagement of any directors, employees or independent contractors at annual compensation in excess of \$500,000 other than (A) Contracts that can be terminated by the Company without cost or penalty or (B) Contracts that provide for transaction bonuses payable in connection with the Transactions as disclosed in Section 5.17(d) of the Company Disclosure Schedules, (x) agreement under which it is lessee of or holds or operates any personal property owned by any other party, except for any lease of personal property under which

the aggregate annual rental payments do not exceed \$500,000, (xi) agreement pursuant to which the Company is granted a lease in, a sublease in, or the right to use or occupy any land or building that require the Group Companies to make annual payments in excess of \$500,000, (xii) any Contract with any Person (A) pursuant to which any Group Company may be required to pay milestones, royalties or other contingent payments in excess of \$500,000 in any year based on any research, testing, development, sale distribution, commercial manufacture or other similar occurrences, developments, activities or events or (B) under which any Group Company grants to any Person any right of first refusal, right of first negotiation, option to purchase, or option to license rights to any material Company Product or any material Company Owned Intellectual Property, (xiii) that establish a joint venture, partnership or limited liability company with a third party, including for the sharing of profits and joint research or development Contracts (in each case, other than with respect to wholly owned Subsidiaries of the Company), (xiv) any Contract required to be disclosed on Section 3.20 of the Company Disclosure Schedules, or (xv) agreement under which it is lessor of or permits any third party to hold or operate any personal property owned or controlled by it (each Contract required to be set forth on Section 3.7(a) of the Company Disclosure Schedules, together with the IP Contracts required to be set forth on Section 3.13(c) of the Company Disclosure Schedules and each of the Contracts entered into after the date of this Agreement that would be required to be set forth on Section 3.7(a) or Section 3.13(c) of the Company Disclosure Schedules if entered into prior to the execution and delivery of this Agreement, collectively, the “Material Contracts”). The Company has furnished or made available to SPAC true and complete copies of all Material Contracts, including any supplementations or amendments thereto.

(b) (i) Each Material Contract is valid and binding on the applicable Group Company and, to the knowledge of the Company, the counterparty thereto, and is in full force and effect and (ii) the applicable Group Company and, to the knowledge of the Company, the counterparties thereto are not in material breach of, or default under, any Material Contract.

(c) None of the Group Companies has ever been suspended or disbarred from bidding on Contracts or subcontracts for or with any Governmental Entity (“Government Contracts”) and no suspension or debarment actions have been commenced or, to the knowledge of the Company, threatened against any of the Group Companies or any of such Group Company’s directors, officers or employees. None of the Group Companies has received any notice that they are being audited or investigated by any Governmental Entity with respect to any Government Contracts. Each of the Group Companies has conducted their operations in material compliance with the requirements of all applicable Laws and regulations pertaining to all Government Contracts and bids for Government Contracts. The Group Companies do not have in effect, nor are they required to have in effect, and have never had in effect, any security clearances in connection with the operation of their business.

Section 3.8 Absence of Changes. During the period beginning on December 31, 2020 and ending on the date of this Agreement, (a) no Company Material Adverse Effect has occurred, and (b) except as expressly contemplated by this Agreement, any Ancillary Document or in connection with the Transactions, (i) the Company has conducted its business in the ordinary course of all business in all material respects and (ii) no Group Company has taken any action that both (A) would require the consent of SPAC if taken during the period from the date of this Agreement until the Closing pursuant to Section 5.1(b)(i), Section 5.1(b)(iv), Section 5.1(b)(vii), Section 5.1(b)(x), Section 5.1(b)(xiii), Section 5.1(b)(xiv) or Section 5.1(b)(xvi) and (B) is material to the Group Companies, taken as a whole.

Section 3.9 Litigation. There is as of the date hereof (and since January 1, 2018, there has been) no Proceeding pending or, to the Company's knowledge, threatened against or affecting any Group Company or Merger Sub or either of their assets, including any condemnation or similar proceedings that, if adversely decided or resolved, has had or would reasonably be expected to be material to the Group Companies, taken as a whole. None of the Group Companies, nor Merger Sub nor any of their respective properties or assets is subject to any material Order. As of the date of this Agreement, there are no material Proceedings by a Group Company or Merger Sub pending against any other Person. There is no unsatisfied judgment or any open injunction binding upon Company or Merger Sub which could have a material effect on the ability of either Company or Merger Sub to enter into, perform its respective obligations under this Agreement and consummate the Transactions.

Section 3.10 Compliance with Applicable Law. Each Group Company and Merger Sub (a) conducts (and since January 1, 2018, has conducted) its business in accordance with all Laws and Orders applicable to such Group Company or Merger Sub and is not in violation of any such Law or Order and (b) has not received any written communications from a Governmental Entity that alleges that such Group Company or Merger Sub is not in compliance with any such Law or Order, except in each case of clauses (a) and (b), as would not, individually or in the aggregate, reasonably be expected to be material to the Group Companies, taken as a whole.

Section 3.11 Employee Plans.

(a) Section 3.11(a) of the Company Disclosure Schedules sets forth a true and complete list of all material Employee Benefit Plans (including, for each such Employee Benefit Plan, its jurisdiction). With respect to each material Employee Benefit Plan, the Group Companies have provided or made available to SPAC true and complete copies of (as applicable): (i) all current plan documents pursuant to which the plan is maintained, funded and administered (including any trust agreement, insurance contract or other funding instrument); (ii) the most recent IRS determination or opinion letter (or, for Employee Benefit Plans maintained for the benefit of employees primarily performing services outside the United States, any similar determination by an applicable Governmental Entity), if applicable; (iii) the most recent summary plan description distributed to participations; (iv) the nondiscrimination and compliance testing results for the three most recent plan years; and (v) all non-ordinary course communications between the Company and any Governmental Entity sent or received in the last three years.

(b) Except as would not be material to the Group Companies, taken as a whole, no Group Company has any Liability with respect to or under: (i) a Multiemployer Plan; (ii) a "defined benefit plan" (as defined in Section 3(35) of ERISA, whether or not subject to ERISA) or a plan that is or was subject to Title IV of ERISA or Section 412 of the Code; (iii) a "multiple employer plan" within the meaning of Section 413(c) of the Code or Section 210 of ERISA; (iv) a "multiple employer welfare arrangement" as defined in Section 3(40) of ERISA. Except as would not be material to the Group Companies, taken as a whole, no Group Company has any Liabilities to provide any retiree or post-employment health or life insurance or other welfare-type benefits to any Person other than health continuation coverage pursuant to Law for which the recipient pays the full cost of coverage. Except as would not be material to the Group Companies, taken as a whole, no Group Company has any Liabilities by reason of at any time being considered a single employer under Section 414 of the Code with any other Person.

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(c) Except as would not be material to the Group Companies, taken as a whole, each Employee Benefit Plan that is intended to be qualified under Section 401(a) of the Code is so qualified and has timely received a favorable determination or opinion or advisory letter from the Internal Revenue Service. None of the Group Companies has incurred (whether or not assessed) any material penalty or Tax under Section 4980H, 4980B, 4980D, 6721 or 6722 of the Code, and no circumstance exists or event has occurred that could reasonably be expected to result in the imposition of any such penalty or Tax.

(d) Except as would not be material to the Group Companies, taken as a whole, there are no pending or, to the Company's knowledge, threatened claims or Proceedings with respect to any Employee Benefit Plan (other than routine claims for benefits). With respect to each Employee Benefit Plan, all contributions, distributions, reimbursements and premium payments that are due have been timely made, transferred and paid in full, or if not yet due, have been properly accrued in accordance with GAAP. Each Employee Benefit Plan has been established, funded, administered and maintained, in form and in operation, in all material respects in compliance with its terms and all applicable Laws.

(e) Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated by this Agreement (whether alone or in combination with any other event(s)) will (i) result in any payment or benefit becoming due to or result in the forgiveness of any Indebtedness of any director, manager, officer, employee, individual independent contractor or other service providers of any of the Group Companies (whether current, former or retired) or their beneficiaries, (ii) materially increase the amount or value of any compensation or benefits payable to any director, manager, officer, employee, individual independent contractor or other service providers of any of the Group Companies (whether current, former or retired or their beneficiaries), or (iii) result in the acceleration of the time of payment, funding or vesting, or trigger any payment or funding of any material compensation or material benefits to any director, manager, officer, employee, individual independent contractor or other service providers of any of the Group Companies (whether current, former or retired) or their beneficiaries.

(f) No amount that could be, or has been, received (whether in cash or property or the vesting of property or the cancellation of Indebtedness) by any director, manager, officer, employee, individual independent contractor or other service providers of any of the Group Companies under any Employee Benefit Plan or otherwise as a result of the consummation of the transactions contemplated by this Agreement could, separately or in the aggregate, be nondeductible under Section 280G of the Code or subjected to an excise Tax under Section 4999 of the Code.

(g) No Group Company has any current or contingent obligation to make a "gross-up" or similar payment in respect of any Taxes that may become payable under Section 4999 or 409A of the Code.

(h) Except as would not be material to the Group Companies, taken as a whole, each Foreign Benefit Plan that is required to be registered or intended to be Tax exempt or receive favorable tax treatment has been registered (and, where applicable, accepted for registration) and is Tax exempt and has been maintained in good standing, to the extent applicable, with each Governmental Entity. Except as would not be material to the Group Companies, taken as a whole, or as set forth under Section 3.11(h) of the Company Disclosure Schedules, no Foreign Benefit Plan is a gratuity, termination indemnity or “defined benefit plan” (as defined in ERISA, whether or not subject to ERISA) or has any material unfunded or underfunded Liabilities, nor are such unfunded liabilities reasonably expected to arise in connection with the transactions contemplated by this Agreement. Except as would not be material to the Group Companies, taken as a whole, all contributions required to have been made by or on behalf of the Group Companies with respect to plans or arrangements maintained or sponsored a Governmental Entity (including severance, termination indemnities or other similar benefits maintained for employees outside of the U.S.) have been timely made or fully accrued.

(i) The Group Companies have not made, and there are no facts that would reasonably be expected to give rise to, any material changes to the Employee Benefit Plans resulting from disruptions caused by the COVID-19 pandemic or COVID-19 Matters, nor are any such changes currently contemplated.

(j) All Company Options have been issued in compliance in all material respects with the Company Equity Plan and all applicable Laws and properly accounted for in all material respects in accordance with applicable accounting standards. All Company Options granted under Section 102 of the Ordinance were duly and timely deposited with the 102 Trustee in accordance with the provisions of Section 102 of the Ordinance. Section 3.11(j)(a) of the Company Disclosure Letter sets forth a list of all Company Options issued and outstanding as of the date hereof, including, with respect to each Company Option: (A) the name of the holder thereof; (B) the number of Company Ordinary Shares issuable upon exercise or conversion of such Company Option; (C) the incentive equity plan or other agreement under which such Company Option was granted; and (D) the date of grant, the exercise price, and the vesting schedule, including any acceleration provisions with respect thereto, as applicable, of such Company Option. Except as set forth in Section 3.11(j)(b) of the Company Disclosure Letter, each Company Option or Company Ordinary Share issued as a result of exercise of such Company Option that is identified in Section 3.11(j)(a) of the Company Disclosure Letter as having been granted under Section 102(b)(2) of the Ordinance is intended to qualify for any favorable tax treatment for Israeli taxpayers under Section 102(b)(2) of the Ordinance. The Company has made available to the SPAC accurate and complete copies of the Company Options database, each of the Company Plans and each standard form of award agreement pursuant to which any Company Option was granted thereunder.

Section 3.12 Environmental Matters. Except as set forth in Section 3.12 of the Company’s Disclosure Schedules, or as would not reasonably be expected to have a Company Material Adverse Effect:

(a) The Group Companies are in compliance in all material respects with all applicable Environmental Laws and since January 1, 2018 have at all times conducted their business in compliance in all material respects with all applicable Environmental Laws.



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(b) None of the Group Companies have received any written notice from any Governmental Entity or any other Person regarding any actual, alleged, or potential violation in any material respect of, or a failure to comply in all material respects with, any Environmental Laws or Environmental Permits.

(c) There is no Proceeding pending or, to the Company's knowledge, threatened in writing against any Group Company concerning or relating to compliance with applicable Environmental Laws or any Environmental Permits or any Hazardous Materials Activity of the Group Companies that is or is reasonably likely to be material to any Group Company.

(d) There has been no manufacture, release, treatment, storage, disposal, arrangement for disposal, transport or handling of, contamination by, or exposure of any Person to, any Hazardous Substances by any Group Company, other than in compliance in all material respects with Environmental Laws.

(e) The Group Companies have made available to SPAC copies of all material environmental, health and safety reports and documents that are in any Group Company's possession or control relating to the current or former operations, properties or facilities of the Group Companies.

### Section 3.13 Intellectual Property.

(a) Section 3.13(a) of the Company Disclosure Schedules sets forth a true and complete list of all issued, registered or pending Company Registered Intellectual Property as of the date of this Agreement including the applicable jurisdiction, title, application, registration or serial number, date, and record owner, or if different, the legal owner. As of the date of this Agreement, no issuance or registration obtained and no application filed by the Group Companies for any Company Registered Intellectual Property has been cancelled, abandoned, allowed to lapse or not renewed other than in the ordinary course of business. All Company Registered Intellectual Property is subsisting and, to the Company's knowledge, no Company Owned Intellectual Property is invalid and unenforceable, and as of the date of this Agreement, there are no Proceedings pending challenging the ownership, validity or enforceability of any Company Owned Intellectual Property, and, to the Company's knowledge, no such Proceedings are threatened by any Person.

(b) Except as set forth in Section 3.13(b) of the Company Disclosure Schedules, the Group Companies solely and exclusively owns (free and clear of all Liens, except Permitted Liens) all right, title and interest in and to all Company Owned Intellectual Property, and each Group Company, to the Company's knowledge, has a valid and enforceable right to use, all Company Licensed Intellectual Property pursuant to a valid written Contract. Neither the execution, delivery or performance by any Group Company nor the Ancillary Documents to which any Group Company is or will be a party nor the consummation of the transactions contemplated hereby or thereby will result in the loss, termination or impairment of any material Company Owned Intellectual Property or material Company Licensed Intellectual Property. No Group Company has (i) transferred ownership of, or granted any exclusive license with respect to any material Company Owned Intellectual Property or (ii) granted any customer the right to use any Customer Product on anything other than a non-exclusive basis. The Company Owned Intellectual Property,

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together with any Company Licensed Intellectual Property constitutes all Intellectual Property Rights that are used in or necessary to the conduct of the business of the Group Companies as currently conducted. None of the material Company Owned Intellectual Property and, to the Company's knowledge, none of the material Company Licensed Intellectual Property, are subject to any outstanding Order that restricts in any manner the use, sale, transfer, licensing or exploitation thereof by the Group Companies or affects the validity, use or enforceability of any such Company Intellectual Property.

(c) Section 3.13(c) of the Company Disclosure Schedules sets forth a list of all current (i) Company Inbound Licenses (other than Standard Inbound Licenses) used in the Company Products or are material to the business of the Company; (ii) Company Outbound Licenses (other than Standard Outbound Licenses) (clauses (i) through (ii) collectively, the "IP Contracts"); and (iii) (A) Material Contracts that contain an agreement by any Group Company to provide any Person with access to the source code or material trade secrets for any Company Product, or (B) Contracts pursuant to which an escrow agent agrees to provide for the source code for any Company Product to be put in escrow.

(d) Each Group Company's current and former employees, consultants, advisors and independent contractors who independently or jointly contributed to or otherwise participated in the authorship, invention, creation, improvement, modification or development of any Company Owned Intellectual Property on behalf of the Group Companies (each such person, a "Creator") have (i) agreed to maintain the confidentiality of the trade secrets of the applicable Group Companies and (ii) assigned to such Group Company by way of present assignment exclusive ownership of all Intellectual Property Rights authored, invented, created, improved, modified, or developed by such Person on behalf of a Group Company in the course of such Creator's employment or other engagement with such Group Company.

(e) There are no current or, to the Company's knowledge, threatened, claims from any Creator for compensation or remuneration for inventions or copyright works created or invented by any such Creator or any similar claim, including under Israeli Patents Law, 5727-1967.

(f) Each Group Company has taken commercially reasonable steps to safeguard and maintain the secrecy of any material trade secrets owned by each Group Company. No material trade secret of any of the Group Companies has been disclosed other than subject to a written agreement sufficiently restricting the disclosure and use of such trade secret and, to the Company's knowledge, no such Person to whom such a trade secret of any of the Group Companies has been so disclosed is in violation of any such agreement. To the Company's knowledge, there has been no unauthorized access to or disclosure of any trade secrets owned by a Group Company.

(g) Except as set forth in Section 3.13(g) of the Company Disclosure Schedules, no facilities of a university, college, other educational institution or research center was used in the development of any material Company Owned Intellectual Property. Except as set forth in Section 3.13(g) of the Company Disclosure Schedules, to the knowledge of the Company, no employee, consultant or independent contractor of the Company who was involved in, or who contributed to, the creation or development of any material Company Owned Intellectual Property, has performed services for or otherwise was under restrictions resulting from his/her relations with any government, university, college or other educational institution or research center during a period

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of time during which any such Company Owned Intellectual Property were created or during such time that such employee, consultant or independent contractor was also performing services for or for the benefit of the Company, nor has any such person created or developed any material Company Owned Intellectual Property with any Governmental Grant. No Governmental Entity has any government purpose or march-in rights in any material Company Owned Intellectual Property, which could reasonably be expected to diminish the ability of the Group Companies commercialize such Company Owned Intellectual Property.

(h) The Group Companies' use of the Company Owned Intellectual Property, in the past six (6) years, have not infringed, diluted, misappropriated or otherwise violated, and are not infringing, diluting, misappropriating, or otherwise violating any Intellectual Property Rights of any other Person; provided that the foregoing representation is made to the Company's knowledge with respect to third party patent and trademark rights only. There are no and, in the past three (3) years, there have not been any Proceeding pending or initiated, nor to the Company's knowledge, has any Proceeding been threatened, either (A) alleging that a Group Company has infringed, misappropriated, diluted or otherwise violated any Intellectual Property Rights of any other Person or (B) challenging the ownership, use, patentability, validity, or enforceability of any Company Owned Intellectual Property. To the Company's knowledge, no Person is infringing, misappropriating, diluting or otherwise violating any Company Owned Intellectual Property in any material respect and no such claims have been made or threatened in writing by any of the Group Companies against any Person in the past three (3) years.

(i) A Group Company possesses or otherwise has a valid right to use all source code and other documentation and materials necessary to compile and operate the Company Products. No Person other than the Group Companies possesses or has a right to possess, a copy, in any form, of any source code for any Software constituting Company Owned Intellectual Property (other than Creators of the Group Companies subject to confidentiality obligations with respect to such source code and solely to the extent necessary for them to maintain, use and develop such Software for the Group Companies). No Group Company has disclosed or delivered to any escrow agent or any other Person, other than employees or contractors who are subject to written agreement imposing confidentiality obligations, any of the source code that is Company Owned Intellectual Property, and no other Person has the right, contingent or otherwise, to obtain access to or use any such source code. To the Company's knowledge, no event has occurred, and no circumstance or condition exists, that would reasonably be expected to, result in the delivery, license or disclosure of any source code or material trade secret that constitutes Company Owned Intellectual Property to any Person who is not, as of the date the event occurs or circumstance or condition comes into existence, a current employee or contractor of a Group Company or other Person, in each case, subject to confidentiality obligations with respect thereto.

(j) No Group Company accesses, uses, modifies, or links to, nor has accessed, used, modified, linked to, or created derivative works of any Public Software in a manner which would subject any material Company Owned Intellectual Property to any obligations set forth in the license for such Public Software, that (i) require any such Company Owned Intellectual Property to be licensed, sold, disclosed, distributed, hosted or otherwise made available, including in source code form and/or for the purpose of making derivative works, for any reason, (ii) grant, or require any Group Company to grant, the right to decompile, disassemble, reverse engineer or otherwise derive the source code or underlying structure of any such Company Owned Intellectual Property,

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(iii) limit in any manner the ability to charge license fees or otherwise seek compensation in connection with marketing, licensing or distribution of any such Company Owned Intellectual Property, or (iv) grant a license to, or refrain from asserting or enforcing any Patents constituting such Company Owned Intellectual Property. Each Group Company is in compliance in all material respects with the terms and conditions of all relevant licenses for Public Software used in the business of the Group Companies.

(k) To the knowledge of the Company, there are, and for the past three (3) years have been, no material defects or any Malicious Code in any of the Company Products currently offered by the Group Companies that have resulted in such Company Products not performing substantially in accordance with their user specifications or functionality descriptions in any material respect.

(l) The Group Companies own, lease, license, or otherwise have the legal right to use all IT Assets material to the conduct of the businesses of the Group Companies as currently conducted. The IT Assets operate and perform as required by the Group Companies in all material respects, and have not materially malfunctioned or failed during the past three (3) years. Each Group Company has taken commercially reasonable actions to protect the integrity and security of the IT Assets (and all material information stored or contained therein or transmitted thereby), including by implementing procedures designed to inhibit unauthorized access and the introduction of any Malicious Code. To the Company's knowledge, the Software constituting material Company Owned Intellectual Property and IT Assets do not contain any Malicious Code. The Group Companies have implemented and maintain commercially reasonable security, disaster recovery and business continuity plans and procedures in all material respects.

(m) Since January 1, 2018, to the knowledge of the Company, there has been no actual or alleged material data security breach, or unauthorized access to, the IT Assets which resulted in the unauthorized, use, access, deletion, modification, corruption, or encryption of any material information or material data contained therein.

#### Section 3.14 Privacy and Data Security.

(a) Except as would not reasonably be expected to be material to the Group Companies, taken as a whole, the Group Companies comply, and since January 1, 2018 have complied, in all material respects with all: (i) applicable Privacy Laws; (ii) obligations imposed upon the Group Company regarding Personal Information under any Contracts; (iii) internal and public-facing privacy, data handling and/or data security policies of the Group Company; and (iv) applicable data privacy rules of applicable self-regulatory organizations.

(b) To the Company's knowledge, each of the Group Companies has established commercially reasonable technical and organizational measures to safeguard the security, confidentiality, integrity and availability of IT Assets and Personal Information, in its possession, custody, or under its control, in accordance with applicable laws.

(c) To the Company's knowledge: (i) no Group Company has suffered any material security breach with respect to any Personal Information and/or with respect to the IT Assets and there has been no material misuse of, or unauthorized Processing of, access to, or disclosure of, any Personal Information in the possession, custody, or control of any of the Group Companies or Processed by the Group Companies (each, a "Personal Information Breach"); (ii) none of the Group Companies have experienced any information security incidents that have materially compromised the integrity or availability of the IT Assets or the data thereon; and (iii) none of the Group Companies have been legally required to provide any notices to any Person as a result of any Personal Information Breach.

(d) Except as would not reasonably be expected to be material to the Group Companies, taken as a whole, the Company warrants that, since January 1, 2018, each of the Group Companies ensure all cross border transfers of Personal Information are compliant with applicable Privacy Laws in all material respects.

(e) Except as would not reasonably be expected to be material to the Group Companies, taken as a whole, the Company warrants that, since January 1, 2018, each of the Group Companies which have distributed marketing communications to any Person are compliant with applicable Privacy Laws in all material respects.

(f) The Group Companies have not intentionally sold or rented and are not sharing or renting to third parties any Personal Information.

(g) None of the Group Companies has received any written notice of any claims, investigations, or alleged violations of Privacy Laws with respect to Personal Information possessed by the Group Companies.

### Section 3.15 Labor Matters.

(a) None of the Group Companies (A) has any material Liability for any arrears of wages or other compensation (including salaries, wage premiums, commissions, fees or bonuses) to their current or former employees and independent contractors under applicable Law, Contract, Employee Benefit Plan or Group Company policy, or any fines, Taxes, interest, penalty or other sums for failure to comply with any of the foregoing, or (B) has any material Liability for any payment to any pension fund, trust or other fund governed by or maintained by or on behalf of any Governmental Entity with respect to unemployment compensation benefits, social security, social insurances or other benefits or obligations for any employees of any Group Company (other than routine payments to be made in the normal course of business). The Group Companies have withheld and paid all amounts required by applicable Law or by agreement to be withheld from wages, salaries and other payments to employees or independent contractors or other service providers of each Group Company, including (for avoidance of doubt) with respect to Company Options. As of the date of this Agreement, no Key Employee is under notice of termination and there are no proposals relating to such termination.

(b) Other than extension orders applicable to all employees in Israel, no Group Company is a party to or bound by any CBA, and no employees of any Group Company is represented by any labor organization, labor union, works council or other employee representative, employee delegate, representative or other employee collective group nor is there any duty on the part of any Group Company to give notice, consult or bargain with any labor union, labor organization, works council, employee delegate, representative or other employee collective group, and to the knowledge of the Company there are no labor organizations purporting to represent, or seeking to represent, any employees of any Group Company.

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(c) Except as would not be material to the Group Companies, taken as a whole, the Company's liabilities to present or former employees regarding severance pay, accrued vacation, recreation pay and contributions to all pension plans and material Company Benefit Plans are either fully funded or are accrued for on the Company's financial statements as of the date of such financial statements. Except as would not be material to the Group Companies, taken as a whole, an arrangement pursuant to Section 14 of the Israeli Severance Pay Law, 5763-1963 (a "Section 14 Arrangement"), was properly applied in accordance with the terms of the general permit issued by the Israeli Minister of Labor regarding mandatory pension arrangement regarding all employees based on their full salaries and from the date of the commencement of their employment and, upon the termination of employment of any of the employees, the Company will not have to make any payment under the Severance Pay Law, 5763-1963, except for release of the funds accumulated in accordance with the applicable Section 14 Arrangement.

(d) Since January 1, 2018, there is no, and there has been no, actual or, to the Company's knowledge, threatened unfair labor practice charges, material grievances, arbitrations, strikes, lockouts, work stoppages, slowdowns, picketing, hand billing or other material labor disputes against or affecting any Group Company.

(e) To the Company's knowledge, since January 1, 2018, there are, and there have been, no actual or threatened organizing activities with respect to any employees of any Group Company.

(f) To the Company's knowledge no current employee who is a member of the Company Management, intends to terminate his or her employment prior to the one (1) year anniversary of the Closing. Except as set forth in Section 3.15(f) of the Company Disclosure Schedules, to the Company's knowledge, no current employee or independent contractor of the Group Companies is in breach of a confidentiality, non-competition, non-solicitation or inventions assignments obligation owed to the Group Companies with respect to such person or entity's engagement with the Group Companies.

(g) No Group Company has, since January 1, 2018, incurred any material Liability with respect to any sexual harassment, or other discrimination, retaliation or policy violation allegations and is not aware of any allegations relating to officers or directors of any Group Company, that, if known to the public, would bring the Group Companies into material disrepute.

(h) The Group Companies have not experienced any material employment-related liability with respect to or arising out of COVID-19 or any Law, Order, directive, guidelines or recommendations by any Governmental Entity in connection with or in response to COVID-19.

Section 3.16 Insurance. Section 3.16 of the Company Disclosure Schedules sets forth a list of all material policies of fire, liability, workers' compensation, property, casualty and other forms of insurance owned or held by any Group Company as of the date of this Agreement. Except as set forth on Section 3.16 of the Company Disclosure Schedules, all such policies are in full force and effect, all premiums due and payable thereon as of the date of this Agreement have been paid

in full as of the date of this Agreement, and true and complete copies of all such policies have been made available to SPAC. No Group Company has received any notice of cancellation of any such material insurance policies. To the knowledge of the Company, as of the date of this Agreement, no material claim by any Group Company is pending under any such policies as to which coverage has been denied or disputed by the underwriters thereof (other than a customary reservation of rights notice).

Section 3.17 Tax Matters.

(a) Each Group Company has prepared and filed all income and other material Tax Returns required to have been filed by it, all such Tax Returns are true and complete in all material respects, and each Group Company has paid all income and other material Taxes required to have been paid by it regardless of whether shown on a Tax Return.

(b) Each Group Company has timely withheld and paid to the appropriate Tax Authority all material amounts required to have been withheld and paid in connection with amounts paid or owing to any employee, individual independent contractor, other service providers, creditors, equity interest holder or other third-party.

(c) No deficiencies for any material amount of Taxes against any of the Group Companies have been claimed, proposed or assessed in writing by any Tax Authority that remain unpaid. No Group Company is currently the subject of a material Tax audit or examination with respect to any Taxes. No Group Company has been informed in writing of the commencement or anticipated commencement of any Tax audit or examination that has not been resolved or completed in each case with respect to material Taxes.

(d) No Group Company is party to any agreement (or has otherwise agreed) to extend or waive the time in which any Tax may be assessed or collected by any Tax Authority, other than any such extensions or waivers that are no longer in effect.

(e) No Group Company is or has been a real property corporation (*Igud Mekarke'in*) within the meaning of such term under Section 1 of the Israeli Land Taxation Law (Appreciation and Acquisition), 5723-1963.

(f) Any Group Company required to be registered for purposes of Israeli value added tax is duly registered and has complied in all material respects with the requirements concerning Israeli value added Tax ("VAT"). Each Group Company (i) has not made any exempt transactions (as defined in the Israeli Value Added Tax Law, 5736-1975 (the "Israeli VAT Law")) and there are no circumstances by reason of which there might not be an entitlement to full credit of all VAT chargeable or paid on inputs, supplies, and other transactions and imports made by it, (ii) if and to the extent applicable, has collected and timely remitted to the relevant taxing authority all output VAT which it is required to collect and remit, to the extent required under any applicable Law and (iii) has not received a refund for input VAT for which it is not entitled under any applicable Law. No non-Israeli Group Company is required to register in Israel for Israeli VAT purposes.

(g) No Group Company is benefiting, has benefited or during the last three (3) years has applied for benefits from any grants, exemption, tax holiday, reduced tax rates or accelerated depreciation under the Israeli Law for the Encouragement of Capital Investments, 5719-1959 (the “Capital Investment Law”), including but not limited to Preferred Technological Enterprise, Preferred Enterprise, Benefitted Enterprise and Approved Enterprise Status. No Group Company has retained earnings that would be subject to Israeli corporate Tax due to the distribution of a “dividend” from such earnings (as the term “dividend” is specifically defined by the ITA in the framework of the Capital Investment Law) or other actions that are deemed as dividend for these purposes.

(h) Except as set forth in Section 3.17(h) of the Company Disclosure Schedules, no “closing agreement” as described in Section 7121 of the Code (or any corresponding or similar provision of state, local or non-U.S. income Tax Law), private letter rulings (including any “taxation decision” (*Hachlalat Misui*) from the ITA), technical advice memoranda or similar agreements or rulings have been entered into or issued by any Tax Authority with respect to a Group Company which agreement or ruling would be effective after the Closing Date.

(i) No Group Company is or has been a party to any “listed transaction” as defined in Section 6707A of the Code and Treasury Regulations Section 1.6011-4 (or any corresponding or similar provision of state, local or non-U.S. income Tax Law).

(j) (i) No Group Company participates or engages in, nor for the past two (2) years has participated or engaged in, any transaction listed in Section 131(g) of the Ordinance and the Israeli Income Tax Regulations (Reportable Tax Planning), 5767-2006, promulgated thereunder; (ii) no Group Company is taking, or in the last two (2) years has taken, a Tax position that is subject to reporting under Section 131E of the Ordinance; (iii) no Group Company in the last two (2) years has obtained a legal or Tax opinion that is subject to reporting under Section 131D of the Ordinance; and (iv) no Group Company is engaging in or is part of, nor in the last two (2) years has engaged in or was part of, any action or transaction that is classified as a “reportable opinion” under Section 67C of the Israeli VAT Law or a “reportable position” under Section 67D of the Israeli VAT Law, in each case, that has not been disclosed in the relevant Tax Return of the relevant Group Company.

(k) There are no Liens for material amounts of Taxes on any assets of the Group Companies other than Permitted Liens.

(l) Each Foreign Benefit Plan that is intended to qualify as a capital gains route plan under Section 102(b)(2) of the Ordinance has received an approval letter from the ITA or is otherwise deemed approved by the ITA. Except as set forth in Section 3.17(l) of the Company Disclosure Schedules, all equity awards granted pursuant to such Foreign Benefit Plan and all shares issued pursuant to such equity awards were and are currently in compliance with the applicable requirements of Section 102(b)(2) of the Ordinance and the written requirements and guidance of the ITA, including the filing of the necessary documents with the ITA, the appointment of an authorized 102 Trustee, and the due deposit of such securities with the 102 Trustee pursuant to the terms of Section 102(b)(2) of the Ordinance and the guidance published by the ITA on July 24, 2012, and clarification dated November 6, 2012, in each case, or as otherwise provided in tax rulings obtained by the Group Companies from the ITA.



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(m) During the two (2)-year period ending on the date of this Agreement, no Group Company was a “distributing corporation” or a “controlled corporation” in a transaction purported or intended to be governed by Section 355 of the Code.

(n) No Group Company nor, to the knowledge of the Company, any holder of Company securities is subject to any restrictions or limitations pursuant to Part E2 of the Ordinance or pursuant to any Tax ruling made with reference to the provisions of such Part E2 or otherwise.

(o) No Group Company (i) has been a member of an affiliated group filing a consolidated U.S. federal income Tax Return (other than a group the common parent of which was a Group Company) or (ii) has any Liability for the Taxes of any Person (other than a Group Company) under Section 1.1502-6 of the Treasury Regulations (or any similar provision of state, local or non-United States Law), as a transferee or successor or by Contract (other than any Contract entered into in the ordinary course of business and the principal purpose of which does not relate to Taxes).

(p) No written claims have ever been made by any Tax Authority in a jurisdiction where a Group Company does not file Tax Returns that such Group Company is or may be subject to taxation by that jurisdiction, which claims have not been resolved or withdrawn.

(q) No Group Company is a party to any Tax allocation, Tax sharing or Tax indemnity or similar agreements (other than one that is included in a Contract entered into in the ordinary course of business and the principal purpose of which does not relate to Taxes).

(r) Each Group Company is Tax resident only in its jurisdiction of formation. No Group Company has a permanent establishment (within the meaning of an applicable Tax treaty) or otherwise has an office or fixed place of business in a country other than the country in which it is organized.

(s) Each Group Company is in compliance in all material respects with all applicable transfer pricing laws and regulations, and the prices for any property or services provided by or to any Group Company are arm’s length prices for purposes of the applicable laws, including Treasury Regulations promulgated under Section 482 of the Code and Section 85A of the Ordinance and the Income Tax Regulations (Determination of Market Terms), 5767-2006 and including to the extent required, the execution and maintenance of contemporaneous documentation substantiating the transfer pricing practices and methodology of the Group Companies.

(t) No Group Company organized or formed under the laws of a jurisdiction outside of the United States (i) is a “surrogate foreign corporation” or “expatriated entity” within the meaning of Section 7874 of the Code (or any corresponding or similar provision of state, local or non-U.S. Tax Law) or is treated as a U.S. corporation for U.S. federal Tax purposes by reason of the application of Sections 269B or 7874(b) of the Code (or any corresponding or similar provision of state, local or non-U.S. Tax Law) or (ii) was created or organized in the United States such that such entity would be taxable in the United States as a domestic entity pursuant to the dual charter provision of Treasury Regulation Section 301.7701-5(a) (or any corresponding or similar provision of state, local or non-U.S. Tax Law).

(u) No Group Company will be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any (i) change in method of accounting for a taxable period ending on or prior to the Closing Date; (ii) installment sale made on or prior to the Closing Date; (iii) prepaid amount received on or prior to the Closing Date; or (iv) use of an improper method of accounting for a taxable period on or prior to the Closing Date.

(v) The Company is treated as a corporation for U.S. federal (and applicable state and local) income Tax purposes. Section 3.17(v) of the Company Disclosure Schedules lists the U.S. federal income Tax classification of each of the Subsidiaries of the Company for U.S. federal income Tax purposes.

(w) To the Company's knowledge, the Company is not a passive foreign investment company as defined under Section 1297 of the Code immediately prior to the Closing Date applying such tests assuming the taxable year of the Company ends at the end of the day immediately prior the Closing Date.

(x) The Group Companies have been engaged in an active trade or business outside the United States for the entire 36-month period immediately before the Closing Date and has no intention to substantially dispose of or discontinue such trade or business (all within the meaning of Treasury Regulation Section 1.367(a)-3(c)(3)(i)).

Section 3.18 Brokers. Except for fees (including the amounts due and payable assuming the Closing occurs) set forth on Section 3.18 of the Company Disclosure Schedules (which fees shall be the sole responsibility of the Company, except as otherwise provided in Section 8.6), no broker, finder, investment banker or other Person is entitled to any brokerage fee, finders' fee or other commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Company or any of its Affiliates for which any of the Group Companies has any obligation.

Section 3.19 Real and Personal Property.

(a) Owned Real Property. No Group Company owns any real property.

(b) Leased Real Property. Section 3.19(b)(i) of the Company Disclosure Schedules sets forth a true and complete list (including street addresses) of all real property leased, subleased, or similarly used or occupied by any of the Group Companies (the "Leased Real Property") and all material Real Property Leases pursuant to which any Group Company is a tenant or landlord as of the date of this Agreement. True and complete copies of all such Real Property Leases (including, for the avoidance of doubt, all amendments, extensions, renewals, guaranties and other material agreements with respect thereto) have been made available to SPAC. Each Real Property Lease is in full force and effect and is a valid, legal and binding obligation of the applicable Group Company party thereto, enforceable in accordance with its terms against such Group Company and, to the Company's knowledge, each other party thereto (subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other Laws affecting generally the enforcement of creditors' rights and subject to general principles of equity). There is no material breach or default by any Group Company or, to the Company's knowledge, any

counterparty or third-party under any such Real Property Lease, and, to the Company's knowledge, no event has occurred which (with or without notice or lapse of time or both) would constitute a material breach or default or would permit termination of, or a material modification or acceleration thereof by any party to such Real Property Leases. Except as set forth on Section 3.19(b)(ii) of the Company Disclosure Schedules, with respect to each of the Real Property Leases: (i) the possession and quiet enjoyment of the Leased Real Property by the applicable Group Company party thereto under such Real Property Lease has not been disturbed in any material respects, and to the Company's knowledge, there are no material disputes with respect to such Real Property Lease; (ii) the applicable Group Company party thereto has not subleased, licensed or otherwise granted any Person the right to use or occupy such Leased Real Property or any portion thereof; and (iii) the applicable Group Company party thereto has not collaterally assigned or granted any other security interest in such Real Property Lease or any interest therein. The Leased Real Property comprises all of the material real property used by the Group Companies.

Section 3.20 Transactions with Affiliates. Section 3.20 of the Company Disclosure Schedules sets forth (a) all Contracts between any Group Company, on the one hand, and any officer, director, employee, partner, member, manager, direct or indirect equityholder or Affiliate of any Group Company (other than another Group Company), on the other hand (each Person identified in this clause (a), a "Company Related Party"), and (b) the Investor Rights Agreement, each and every side letter and management rights letter with shareholders (including all Management Rights Letters and Side Letters as defined in Section 3.5(b) of the Company Disclosure Schedules), each shareholders' agreement, voting agreement, registration rights agreement, co-sale agreement or other similar Contract of any Group Company, including any Contract granting any shareholder of the Company investor rights, rights of first refusal, rights of first offer, registration rights, director designation rights or similar rights, but excluding, for the avoidance of doubt, the Ancillary Documents (collectively, the "Company Investor Agreements"), in each case other than (i) Contracts with respect to or otherwise incident to a Company Related Party's employment or other similar engagement with (including benefit plans and other compensation from) any of the Group Companies entered into in the ordinary course of business, (ii) Contracts with respect to a Company Shareholder's or a holder of Company Equity Awards' status as a holder of Equity Securities of the Company and (iii) Contracts entered into after the date of this Agreement that are either permitted pursuant to Section 5.1(b) or entered into in accordance with Section 5.1(b). All Contracts, arrangements, understandings, interests and other matters that are required to be disclosed pursuant to this Section 3.20 are referred to herein as "Company Related Party Transactions". All material transactions since the incorporation of the Company between the Company and interested parties that require approvals pursuant to Sections 268 to 284 of the Israeli Companies Law or pursuant to the Governing Documents of the Company have been duly approved. To the Company's knowledge, except as set forth on Section 3.20 of the Company Disclosure Schedules, no Company Related Party (i) has any direct or indirect financial interest in, or is an officer, director, manager, employee or consultant of, (A) any competitor, supplier, licensor, distributor, lessor, independent contractor or customer of any Group Company or (B) any other entity in any business arrangement or relationship with any Group Company; provided, however, that the ownership of securities listed on any national securities exchange representing less than five percent (5%) of the outstanding voting power of any Person with no seat of a board of directors (or other similar governing body) or any rights to control or manage such Person (under law, by contract or otherwise) shall not be deemed to be a "financial

interest” in any such Person; (ii) has any interest in any property, asset or right used by the Group Company for the business; (iii) has outstanding any Indebtedness owed to any Group Company; or (iv) has received any funds from the Group Company since the date of the Latest Balance Sheet, except for employment-related compensation received in the ordinary course of business.

Section 3.21 Compliance with International Trade & Anti-Corruption Laws.

(a) During the past 5 (five) years, and except where the failure to be, or to have been, in compliance with such Laws has not been or would not, individually or in the aggregate, reasonably be expected to be material to the Company taken as a whole, neither the Group Companies nor, to the Company’s knowledge, any of their Representatives, or any other Persons acting for or on behalf of any of the foregoing, is or has been (i) a Person named on any Israel, US, EU, or UN sanctions list; (ii) located, organized or resident in a country or territory which is itself the subject of or target of any Sanctions and Export Control Laws; (iii) an entity fifty-percent (50%) or more owned, directly or indirectly, by one or more Persons described in clause (i) or (ii); or (iv) otherwise engaged in dealings with or for the benefit of any Person described in clauses (i) through (iii).

(b) Neither the Group Companies, their directors or officers, nor, to the Company’s knowledge, any of their employees, agents, or any other Persons acting for or on behalf of any of the Group Companies has, directly or knowingly indirectly (i) made, offered, promised, authorized, paid or received any unlawful bribes, kickbacks or other similar payments to or from any Person, (ii) made, offered, promised, authorized or paid any unlawful contributions to a domestic or foreign political party or candidate or (iii) otherwise made, offered, promised, authorized, paid or received any improper payment in violation of any Israel, US, EU, or other applicable Anti-Corruption Laws. The Group Companies have implemented and maintained policies and procedures reasonably designed to promote compliance with Anti-Corruption Laws.

(c) To the knowledge of the Company, there is no current investigation, allegation, request for information, or other inquiry by any Governmental Entity regarding the actual or possible violation of the Anti-Corruption Laws or Sanctions and Export Control Laws by any Group Company and during the past 5 (five) years, no Group Company has received any written notice that there is any investigation, allegation, request for information, or other inquiry by any Governmental Entity regarding an actual or possible violation of the Anti-Corruption Laws or Sanctions and Export Control Laws.

(d) No Group Company is, or is required to be, registered with the Israeli Ministry of Defense as a security exporter. Except as set forth in Section 3.21(d) of the Company Disclosure Schedules, the business of the Group Companies and Merger Sub does not involve the use or development of, or engagement in, encryption technology, or other technology whose development, commercialization, marketing or export is restricted under Israeli Law, and the business of the Group Companies does not require any Group Company to obtain a license from the Israeli Ministry of Economy or the Israeli Ministry of Defense or an authorized body thereof pursuant to Section 2(a) of the Israeli Control of Products and Services Declaration (Engagement in Encryption), 5734-1974 or other legislation regulating the development, commercialization, marketing or export of technology.

Section 3.22 PIPE Financing. The Company has entered into Subscription Agreements with Subscribers for the sale of Company Ordinary Shares upon Closing, pursuant to which such Subscribers have committed to provide equity financing in the aggregate gross amount of approximately \$125,000,000.

Section 3.23 Governmental Grants.

(a) Except as disclosed in Section 3.23 of the Company Disclosure Schedules, no material Governmental Grants were received by any Group Company. There are no pending applications for Governmental Grants by any Group Company.

(b) Company has been and is in compliance in all material respects with all the terms, conditions, requirements of all Governmental Grants (including any reporting requirements) and any applicable Law in connection thereto, and has duly fulfilled all conditions, undertakings and other obligations relating thereto.

Section 3.24 Information Supplied. None of the information relating to the Group Companies supplied or to be supplied by or on behalf of the Group Companies or Merger Sub expressly for inclusion or incorporation by reference prior to the Closing in the Registration Statement / Proxy Statement will, when the Registration Statement / Proxy Statement is declared effective or when the Registration Statement / Proxy Statement is mailed to the SPAC Stockholders or at the time of the SPAC Stockholders Meeting, and in the case of any amendment thereto, at the time of such amendment, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. Notwithstanding the foregoing, the Group Companies make no representations or warranties as to the information contained or incorporated by reference in or omitted from the Registration Statement / Proxy Statement in reliance upon and in conformity with information furnished in writing to the Group Companies by or on behalf of SPAC specifically for inclusion in the Registration Statement / Proxy Statement.

Section 3.25 Anti-trust. The Group Companies' combined sales turnover in Israel (as defined under and calculated in accordance with the Israeli Economic Competition Law, 5748-1988) for the year ended December 31, 2020 did not exceed NIS 360,000,000.

Section 3.26 Investigation; No Other Representations.

(a) The Company, on its own behalf and on behalf of its Representatives, acknowledges, represents, warrants and agrees that (i) it has conducted its own independent review and analysis of, and, based thereon, has formed an independent judgment concerning, the business, assets, condition, operations and prospects of, SPAC and (ii) it has been furnished with or given access to such documents and information about SPAC and its businesses and operations as it and its Representatives have deemed necessary to enable it to make an informed decision with respect to the execution, delivery and performance of this Agreement, the Ancillary Documents and the Transactions.

(b) In entering into this Agreement and the Ancillary Documents to which it is or will be a party, the Company has relied solely on its own investigation and analysis and the representations and warranties expressly set forth in ARTICLE IV and in the Ancillary Documents to which it is or will be a party and no other representations or warranties of SPAC, any SPAC Non-Party Affiliate or any other Person, either express or implied, and the Company, on its own behalf and on behalf of its Representatives, acknowledges, represents, warrants and agrees that, except for the representations and warranties expressly set forth in ARTICLE IV and in the Ancillary Documents to which it is or will be a party, none of SPAC, any SPAC Non-Party Affiliate nor any other Person makes or has made any representation or warranty, either express or implied, in connection with or related to this Agreement, the Ancillary Documents or the Transactions

(c) The Company acknowledges and agrees that any cost estimates, projections or other predictions, any data, any financial information, any SPAC SEC reports, or any memoranda or offering materials or presentations, including, but not limited to, any offering memorandum or similar materials made available by or on behalf of SPAC are not and shall not be deemed to be or to include representations or warranties of SPAC, any SPAC Non-Party Affiliate or any other person, and are not and shall not be deemed to be relied upon by the Company or any Company Non-Party Affiliate in executing, delivering or performing this Agreement, the Ancillary Documents or the transactions contemplated hereby or thereby.

Section 3.27 EXCLUSIVITY OF REPRESENTATIONS AND WARRANTIES. NOTWITHSTANDING THE DELIVERY OR DISCLOSURE TO SPAC OR ANY OF ITS REPRESENTATIVES OF ANY DOCUMENTATION OR OTHER INFORMATION (INCLUDING ANY FINANCIAL PROJECTIONS OR OTHER SUPPLEMENTAL DATA), EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS ARTICLE III OR THE ANCILLARY DOCUMENTS, NONE OF THE COMPANY, MERGER SUB, ANY COMPANY NON-PARTY AFFILIATE OR ANY OTHER PERSON MAKES, AND THE COMPANY AND MERGER SUB EACH EXPRESSLY DISCLAIM, ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND OR NATURE, EXPRESS OR IMPLIED, IN CONNECTION WITH THIS AGREEMENT, THE ANCILLARY DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, INCLUDING AS TO THE MATERIALS RELATING TO THE BUSINESS AND AFFAIRS OR HOLDINGS OF THE GROUP COMPANIES OR MERGER SUB THAT HAVE BEEN MADE AVAILABLE TO SPAC OR ANY OF ITS REPRESENTATIVES OR IN ANY PRESENTATION OF THE BUSINESS AND AFFAIRS OF THE GROUP COMPANIES OR MERGER SUB BY THE MANAGEMENT OF THE COMPANY OR OTHERS IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED HEREBY OR BY THE ANCILLARY DOCUMENTS, AND NO STATEMENT CONTAINED IN ANY OF SUCH MATERIALS OR MADE IN ANY SUCH PRESENTATION SHALL BE DEEMED A REPRESENTATION OR WARRANTY HEREUNDER OR OTHERWISE OR DEEMED TO BE RELIED UPON BY SPAC OR ANY SPAC NON-PARTY AFFILIATE IN EXECUTING, DELIVERING AND PERFORMING THIS AGREEMENT, THE ANCILLARY DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS SECTION 3.27, CLAIMS AGAINST ANY GROUP COMPANY, MERGER SUB, OR ANY OTHER PERSON SHALL NOT BE LIMITED IN ANY RESPECT IN THE EVENT OF INTENTIONAL FRAUD UNDER DELAWARE LAW IN THE MAKING OF THE REPRESENTATIONS AND WARRANTIES IN ARTICLE III AND THE REPRESENTATIONS AND WARRANTIES IN THE ANCILLARY DOCUMENTS BY SUCH PERSON.

**ARTICLE IV.**  
**REPRESENTATIONS AND WARRANTIES RELATING TO SPAC**

Except as set forth in the SPAC Disclosure Schedules (subject to Section 8.8), or except as set forth in any SPAC SEC Reports (excluding any disclosures in any “risk factors” section that do not constitute statements of fact, disclosures in any forward-looking statements disclaimers and other disclosures that are generally cautionary, predictive or forward-looking in nature), SPAC hereby represents and warrants to the Company as follows:

Section 4.1 Organization and Qualification. SPAC is duly incorporated and is validly existing as a corporation in good standing under the Laws of Delaware. The copies of the Governing Documents of SPAC previously delivered by SPAC to the Company are true, correct and complete and are in effect as of the date of this Agreement. SPAC is, and at all times has been, in compliance in all material respects with all restrictions, covenants, terms and provisions set forth in its Governing Documents.

Section 4.2 Authority.

(a) SPAC has the requisite corporate power and authority to execute and deliver this Agreement and each of the Ancillary Documents to which it is or will be a party, to perform its obligations hereunder and thereunder, and to consummate the transactions contemplated hereby and thereby. Subject to the receipt of the SPAC Stockholder Approval, the execution and delivery of this Agreement, the Ancillary Documents to which SPAC is or will be a party and the consummation of the transactions contemplated hereby and thereby have been (or, in the case of any Ancillary Document entered into after the date of this Agreement, will be upon execution thereof) duly authorized by all necessary corporate action on the part of SPAC. This Agreement has been and each Ancillary Document to which SPAC is or will be a party will be, upon execution and delivery thereof, duly and validly executed and delivered by SPAC and constitutes or will constitute, upon execution thereof, as applicable, a valid, legal and binding agreement of SPAC (assuming this Agreement has been and the Ancillary Documents to which SPAC is or will be a party are or will be, upon execution thereof, as applicable, duly authorized, executed and delivered by the other Persons party hereto or thereto, as applicable), enforceable against SPAC in accordance with their terms (subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other Laws affecting generally the enforcement of creditors’ rights and subject to general principles of equity).

(b) By written consent and in accordance with Section 141(f) of the DGCL and the Governing Documents of SPAC, the SPAC Board has unanimously: (i) determined that this Agreement and the Transactions are fair and in the best interests of the SPAC Stockholders, (ii) determined that the fair market value of the Company is equal to at least eighty percent (80%) of the amount held in the Trust Account (less any deferred underwriting commissions and Taxes payable on interest earned) as of the date hereof, (iii) approved the Transactions as a business combination and (iv) resolved to recommend to the shareholders of SPAC approval of each of the matters requiring SPAC Stockholder Approval.

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### Section 4.3 Consents and Requisite Governmental Approvals: No Violations.

(a) No Consent, Permit, approval or authorization of, or designation, declaration or filing with, any Governmental Entity is required on the part of SPAC with respect to SPAC's execution or delivery of, or performance of its obligations under, this Agreement or the Ancillary Documents to which it is or will be party or the consummation of the transactions contemplated by this Agreement or by the Ancillary Documents, except for (i) the filing with the SEC of (A) the Registration Statement / Proxy Statement and the declaration of the effectiveness thereof by the SEC, (B) any other documents or information required pursuant to applicable requirements, if any, of the Federal Securities Laws, and (C) such reports under Section 13(a) or 15(d) of the Exchange Act as may be required in connection with this Agreement, the Ancillary Documents or the Transactions, (ii) compliance with and filings or notifications required to be filed with state securities regulators pursuant to "blue sky" Laws and state takeover Laws as may be required in connection with this Agreement, the Ancillary Documents, or the Transactions, (iii) filing of the Certificate of Merger, (iv) filings pursuant to any applicable Antitrust Laws or (v) the SPAC Stockholder Approval.

(b) Subject to the receipt of the consents, approvals, authorizations and other requirements set forth in Section 4.3(a), neither the execution, delivery or performance by SPAC of this Agreement nor the Ancillary Documents to which SPAC is or will be a party nor the consummation by SPAC of the transactions contemplated hereby or thereby will, directly or indirectly (with or without due notice or lapse of time or both) (i) result in any breach of any provision of the Governing Documents of SPAC, (ii) result in a violation or breach of, or constitute a default or give rise to any right of termination, cancellation, amendment, modification, suspension, revocation or acceleration (with or without notice) under, any of the terms, conditions or provisions of any Contract to which SPAC is a party, (iii) violate, or constitute a breach under, any Order or applicable Law to which SPAC or any of its properties or assets are bound or (iv) result in the creation of any Lien upon any of the assets or properties (other than any Permitted Liens) of SPAC, except, in the case of any of clauses (ii) through (iv) above, as would not, individually or in the aggregate, reasonably be expected to be material to the SPAC or reasonably be expected to have a material effect on the ability of SPAC to enter into or perform its obligations under this Agreement or consummate the Transactions.

Section 4.4 Brokers. Except for fees (including the amounts due and payable assuming the Closing occurs) set forth on Section 4.4 of the SPAC Disclosure Schedules (which fees shall be the sole responsibility of SPAC, except as otherwise provided in Section 8.6), no broker, finder, investment banker or other Person is entitled to any brokerage fee, finders' fee or other commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of SPAC for which SPAC or any of its Affiliates, including Sponsor, has any obligation.

Section 4.5 Information Supplied. None of the information supplied or to be supplied by or on behalf of SPAC expressly for inclusion or incorporation by reference prior to the Closing in the Registration Statement / Proxy Statement will, when the Registration Statement / Proxy Statement is declared effective or when the Registration Statement / Proxy Statement is mailed to the SPAC Stockholders or at the time of the SPAC Stockholders Meeting, and in the case of any amendment thereto, at the time of such amendment, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.



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Section 4.6 Capitalization of SPAC.

(a) Section 4.6(a) of the SPAC Disclosure Schedules sets forth a true and complete statement as of the date of this Agreement of the number and class or series (as applicable) of the issued and outstanding SPAC Shares and SPAC Warrants. All outstanding Equity Securities of SPAC have been duly authorized and validly issued and are fully paid and non-assessable. The issuance of SPAC Shares upon the exercise or conversion, as applicable, of Equity Securities that are derivative securities, will, upon exercise or conversion in accordance with the terms of such Equity Securities against payment therefor, be duly authorized, validly issued, fully paid, and non-assessable. Except as set forth in Section 4.6(a) of the SPAC Disclosure Schedules, such Equity Securities (i) were not issued in violation of the Governing Documents of SPAC or any applicable Law and (ii) are not subject to any preemptive rights, call option, right of first refusal, subscription rights, transfer restrictions or similar rights of any Person (other than transfer restrictions under applicable Securities Laws or under the Governing Documents of SPAC) and were not issued in violation of any preemptive rights, call option, right of first refusal, subscription rights, transfer restrictions or similar rights of any Person. Except for the SPAC Shares and SPAC Warrants set forth on Section 4.6(a) of the SPAC Disclosure Schedules (subject to any SPAC Stockholder Redemptions), immediately prior to Closing, there shall be no other outstanding Equity Securities of SPAC.

(b) Except as disclosed in the SPAC SEC Reports, in Section 4.6(b) of the SPAC Disclosure Schedules, as expressly contemplated by this Agreement, the Ancillary Documents or the Transactions or as otherwise mutually agreed to by the Company and SPAC, there are no outstanding (A) equity appreciation, phantom equity or profit participation rights or (B) options, restricted stock, phantom stock, warrants, purchase rights, subscription rights, conversion rights, exchange rights, calls, puts, rights of first refusal or first offer or other Contracts that could require SPAC, and, except as expressly contemplated by this Agreement, the Ancillary Documents or the Transactions or as otherwise mutually agreed in writing by the Company and SPAC, there is no obligation of SPAC, to issue, sell or otherwise cause to become outstanding or to acquire, repurchase or redeem any Equity Securities or securities convertible into or exchangeable for Equity Securities of SPAC. Except as disclosed in the SPAC SEC Reports or SPAC's Governing Documents, there are no outstanding contractual obligations of SPAC to repurchase, redeem or otherwise acquire any securities or Equity Securities of SPAC. Except as disclosed in the SPAC SEC Reports or in Section 4.6(b) of the SPAC Disclosure Schedules, there are no outstanding bonds, debentures, notes or other Indebtedness of SPAC having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matter for which SPAC Stockholders may vote. Except as disclosed in the SPAC SEC Reports or in Section 4.6(b) of the SPAC Disclosure Schedules, SPAC is not a party to any shareholders agreement, voting agreement or registration rights agreement relating to SPAC Shares or any other Equity Securities of SPAC. SPAC does not own any Equity Securities in any other Person or have any right, option, warrant, conversion right, stock appreciation right, redemption right, repurchase right, agreement, arrangement or commitment of any character under which a Person is or may become obligated to issue or sell, or give any right to subscribe for or acquire, or in any way dispose of, any Equity Securities, or any securities or obligations exercisable or exchangeable for or convertible into any Equity Securities, of such Person.

Section 4.7 SEC Filings. SPAC has timely filed or furnished all statements, forms, reports and documents required to be filed or furnished by it prior to the date of this Agreement with the SEC pursuant to Federal Securities Laws since its IPO (collectively, and together with any exhibits and schedules thereto and other information incorporated therein, and as they have been supplemented, modified or amended since the time of filing, the “SPAC SEC Reports”). Each of the SPAC SEC Reports, as of their respective dates of filing, and as of the date of any amendment or filing that superseded the initial filing, complied in all material respects with the applicable requirements of the Federal Securities Laws (including, as applicable, the Sarbanes-Oxley Act and any rules and regulations promulgated thereunder) applicable to the SPAC SEC Reports. As of their respective dates of filing, the SPAC SEC Reports did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made or will be made, as applicable, not misleading. As of the date of this Agreement, there are no outstanding or unresolved comments in comment letters received from the SEC with respect to the SPAC SEC Reports.

Section 4.8 Trust Account.

(a) As of the date of this Agreement, SPAC has an amount in cash in the Trust Account of approximately \$115,000,000. The funds held in the Trust Account are (a) invested in United States “government securities” within the meaning of Section 2(a)(16) of the Investment Company Act, having a maturity of 185 days or less or in money market funds meeting certain conditions under Rule 2a-7 promulgated under the Investment Company Act which invest only in direct U.S. government treasury obligations and (b) held in trust pursuant to that certain Investment Management Trust Agreement, dated as of July 13, 2020 (the “Trust Agreement”), between SPAC and the Exchange Agent, as trustee (the “Trustee”). There are no separate agreements, side letters or other agreements or understandings (whether written or unwritten, express or implied) that would cause the description of the Trust Agreement in the SPAC SEC Reports to be inaccurate in any material respect or, to SPAC’s knowledge, that would entitle any Person to any portion of the funds in the Trust Account (other than (i) in respect of deferred underwriting commissions or Taxes, (ii) the SPAC Stockholders who shall have elected to redeem their SPAC Shares pursuant to the Governing Documents of SPAC or (iii) if SPAC fails to complete a business combination within the allotted time period set forth in the Governing Documents of SPAC and liquidates the Trust Account, subject to the terms of the Trust Agreement, SPAC (in limited amounts to permit SPAC to pay the expenses of the Trust Account’s liquidation, dissolution and winding up of SPAC) and then the SPAC Stockholders). Prior to the Closing, none of the funds held in the Trust Account are permitted to be released, except in the circumstances described in the Governing Documents of SPAC and the Trust Agreement. SPAC has performed all material obligations required to be performed by it to date under, and is not in default, breach or delinquent, in any material respect, in performance or any other respect (claimed or actual) in connection with, the Trust Agreement and no event has occurred which, with due notice or lapse of time or both, would constitute such a default or breach thereunder. There are no claims or Proceedings pending with respect to the Trust Account. Since July 13, 2020, SPAC has not released any money from the Trust Account (other than interest income earned on the funds held in the Trust Account as

permitted by the Trust Agreement). Upon the consummation of the transactions contemplated hereby, including the distribution of assets from the Trust Account (A) in respect of deferred underwriting commissions or Taxes or (B) to the SPAC Stockholders who have elected to redeem their SPAC Shares pursuant to the Governing Documents of SPAC, each in accordance with the terms of and as set forth in the Trust Agreement, SPAC shall have no further obligation under either the Trust Agreement or the Governing Documents of SPAC to liquidate or distribute any assets held in the Trust Account, and the Trust Agreement shall terminate in accordance with its terms.

(b) Assuming the accuracy of the representations and warranties of the Company contained herein and the compliance by the Company with its respective obligations hereunder, SPAC has no reason to believe that any of the conditions to the use of funds in the Trust Account will not be satisfied or funds available in the Trust Account will not be available to SPAC on the Closing Date (after disbursements in respect of deferred underwriting commissions, Taxes, and to the SPAC Stockholders who shall have elected to redeem their SPAC Shares pursuant to the Governing Documents of SPAC).

Section 4.9 Indebtedness. Except as set forth in Section 4.9 of the SPAC Disclosure Schedules, as of the date hereof, SPAC does not have, or have any Contract requiring it to enter into or incur, any obligations with respect to or under any Indebtedness.

Section 4.10 Transactions with Affiliates. Section 4.10 of the SPAC Disclosure Schedules sets forth all Contracts between (a) SPAC, on the one hand, and (b) any officer, director, employee, partner, member, manager, direct or indirect equityholder (including Sponsor) or Affiliate of either SPAC or Sponsor, on the other hand (each Person identified in this clause (b), an “SPAC Related Party”). Except as set forth in Section 4.10 of the SPAC Disclosure Schedules, no SPAC Related Party (A) owns any interest in any material asset used in the business of SPAC, (B) possesses, directly or indirectly, any material financial interest in, or is a director or executive officer of, any Person which is a material client, supplier, customer, lessor or lessee of SPAC or (C) owes any material amount to, or is owed material any amount by, SPAC. All Contracts, arrangements, understandings, interests and other matters that are required to be disclosed pursuant to this Section 4.10 are referred to herein as “SPAC Related Party Transactions”.

Section 4.11 Litigation. As of the date of this Agreement, there is (and since its incorporation, there has been) no Proceeding pending or, to SPAC’s knowledge, threatened against or involving or otherwise affecting SPAC or its assets, including any condemnation or similar proceedings. Neither SPAC nor any of its properties or assets is subject to any Order. As of the date of this Agreement, there are no Proceedings by SPAC pending against any other Person. There is no unsatisfied judgment or any open injunction binding upon SPAC which could have a material effect on the ability of SPAC to enter into, perform its obligations under this Agreement and consummate the Transactions.

Section 4.12 Compliance with Applicable Law. SPAC is (and since its incorporation, has been) in compliance in all material respects with all applicable Laws. SPAC has not received any written notice from any Governmental Entity of a violation of any applicable Law by SPAC at any time since its formation, which violation would reasonably be expected to have a material effect on the ability of SPAC to enter into, perform its obligations under this Agreement and consummate the Transactions.

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#### Section 4.13 Business Activities.

(a) Since its IPO, SPAC has held all IPO proceeds in the Trust Account (other than any amounts permitted to be disbursed under the terms of the Trust Agreement and as described in the SPAC Prospectus) for the purpose of being used in the conduct of business following its Business Combination. Except as set forth in SPAC's Governing Documents, there is no Contract binding upon SPAC or to which SPAC is a party which has or would reasonably be expected to have the effect of prohibiting or materially impairing any business practice of it, any acquisition of property by it or the conduct of business by it (including, in each case, following the Closing).

(b) SPAC does not own or have a right to acquire, directly or indirectly, any interest or investment (whether equity or debt) in any corporation, partnership, joint venture, business, trust or other entity. Except for this Agreement and the Transactions, SPAC has no interests, rights, obligations or liabilities with respect to, or is party to, bound by or has its assets or property subject to, in each case whether directly or indirectly, any Contract or transaction which is, or could reasonably be interpreted as constituting, a business combination.

(c) Except for this Agreement and the agreements expressly contemplated hereby or as set forth in Section 4.13(c) of the SPAC Disclosure Schedules, SPAC is not and at no time has been, party to any Contract with any other Person that would require payments by SPAC in excess of \$100,000 in the aggregate with respect to any individual Contract or more than \$500,000 in the aggregate when taken together with all other Contracts (other than this Agreement and the agreements expressly contemplated hereby and Contracts set forth in Section 4.13(c) of the SPAC Disclosure Schedules).

(d) There is no liability, debt or obligation against SPAC, except for liabilities and obligations (i) reflected or reserved for on SPAC's consolidated balance sheet as of December 31, 2020 or disclosed in the notes thereto, (ii) that have arisen since the date of SPAC's consolidated balance sheet as of December 31, 2020 in the ordinary course of the operation of business of SPAC or that are set forth in Section 4.13(d) of the SPAC Disclosure Schedules or (iii) incurred in connection with or contemplated by this Agreement and/or the Transactions or (iv) that would not reasonably be expected to be, individually or in the aggregate, material to SPAC.

#### Section 4.14 Internal Controls; Listing; Financial Statements.

(a) Except as is not required in reliance on exemptions from various reporting requirements by virtue of SPAC's status as an "emerging growth company" within the meaning of the Securities Act, as modified by the JOBS Act, or "smaller reporting company" within the meaning of the Exchange Act, since its IPO, (i) SPAC has established and maintained a system of internal controls over financial reporting (as defined in Rule 13a-15 and Rule 15d-15 under the Exchange Act) sufficient to provide reasonable assurance regarding the reliability of SPAC's financial reporting and the preparation of SPAC's financial statements for external purposes in accordance with GAAP and (ii) SPAC has established and maintained disclosure controls and procedures (as defined in Rule 13a-15 and Rule 15d-15 under the Exchange Act) designed to

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ensure that material information relating to SPAC is made known to SPAC's principal executive officer and principal financial officer by others within SPAC. Such disclosure controls and procedures are effective in timely alerting SPAC's principal executive officer and principal financial officer to material information required to be included in SPAC's financial statements included in SPAC's periodic reports required under the Exchange Act.

(b) SPAC has not taken any action prohibited by Section 402 of the Sarbanes-Oxley Act. There are no outstanding loans or other extensions of credit made by SPAC to any executive officer (as defined in Rule 3b-7 under the Exchange Act) or director of SPAC.

(c) Since its IPO, SPAC has complied in all material respects with all applicable listing and corporate governance rules and regulations of NYSE. The issued and outstanding SPAC Units are registered pursuant to Section 12(b) of the Exchange Act and are listed for trading on NYSE under the symbol "PTK-UN". The issued and outstanding SPAC Shares are registered pursuant to Section 12(b) of the Exchange Act and are listed for trading on NYSE under the symbol "PTK". The issued and outstanding SPAC Warrants are registered pursuant to Section 12(b) of the Exchange Act and are listed for trading on NYSE under the symbol "PTK-WT". As of the date of this Agreement, there is no Proceeding pending or, to the knowledge of SPAC, threatened against SPAC by NYSE or the SEC with respect to any intention by such entity to deregister the SPAC Units, SPAC Shares or SPAC Warrants or prohibit or terminate the listing of the SPAC Units, SPAC Shares or SPAC Warrants on NYSE. Neither SPAC nor any of its Affiliates has taken any action that is designed to terminate the registration of the SPAC Units, SPAC Shares or SPAC Warrants under the Exchange Act except as contemplated by this Agreement. SPAC has not received any notice from NYSE or the SEC regarding the revocation of such listing or otherwise regarding the delisting of the SPAC Units, SPAC Shares or SPAC Warrants from NYSE or the SEC.

(d) The SPAC SEC Reports contain true and complete copies of the applicable SPAC Financial Statements. The SPAC Financial Statements (i) fairly present in all material respects the financial position of SPAC as at the respective dates thereof, and the results of its operations, shareholders' equity and cash flows for the respective periods then ended (subject, in the case of any unaudited interim financial statements, to normal year-end audit adjustments (none of which is expected to be material) and the absence of footnotes), (ii) were prepared in conformity with GAAP applied on a consistent basis during the periods involved (except, in the case of any audited financial statements, as may be indicated in the notes thereto and subject, in the case of any unaudited financial statements, to normal year-end audit adjustments (none of which is expected to be material) and the absence of footnotes), (iii) in the case of the audited SPAC Financial Statements, were audited in accordance with the standards of the PCAOB and (iv) comply in all material respects with the applicable accounting requirements and with the rules and regulations of the SEC, the Exchange Act and the Securities Act in effect as of the respective dates thereof (including Regulation S-X or Regulation S-K, as applicable).

(e) SPAC has established and maintains systems of internal accounting controls that are designed to provide, in all material respects, reasonable assurance that (i) all transactions are executed in accordance with management's authorization and (ii) all transactions are recorded as necessary to permit preparation of proper and accurate financial statements in accordance with GAAP and to maintain accountability for SPAC's assets. SPAC maintains and, for all periods covered by the SPAC Financial Statements, has maintained books and records of SPAC in the ordinary course of business that are accurate and complete and reflect the revenues, expenses, assets and liabilities of SPAC in all material respects.

(f) Since its incorporation, SPAC has not received any written complaint, allegation, assertion or claim that there is (i) a “significant deficiency” in the internal controls over financial reporting of SPAC to SPAC’s knowledge, (ii) a “material weakness” in the internal controls over financial reporting of SPAC to SPAC’s knowledge or (iii) fraud, whether or not material, that involves management or other employees of SPAC who have a significant role in the internal controls over financial reporting of SPAC.

(g) As of the date hereof, there are no outstanding SEC comments from the SEC with respect to the SPAC SEC Reports. None of the SPAC SEC Reports filed on or prior to the date hereof is subject to ongoing SEC review or investigation as of the date hereof.

Section 4.15 No Undisclosed Liabilities. Except for the Liabilities (a) set forth in Section 4.15 of the SPAC Disclosure Schedules, (b) incurred in connection with the negotiation, preparation or execution of this Agreement or any Ancillary Document, the performance of its covenants or agreements in this Agreement or any Ancillary Document or the consummation of the Transactions (it being understood and agreed that the expected third-parties that are, as of the date hereof, entitled to fees, expenses or other payments in connection with the matters described in this clause (b) shall be set forth on Section 4.15 of the SPAC Disclosure Schedules), (c) that are incurred in connection with or incident or related to SPAC’s incorporation or continuing corporate existence, which are immaterial in nature, (d) that are incurred in connection with activities that are administrative or ministerial, in each case, which are immaterial in nature, (e) that are either permitted pursuant to Section 5.10(e) or incurred in accordance with Section 5.10(e) (for the avoidance of doubt, in each case, with the written consent of the Company) or (f) set forth or disclosed in the SPAC Financial Statements included in the SPAC SEC Reports, SPAC has no Liabilities of the type required to be set forth on a balance sheet in accordance with GAAP.

Section 4.16 Tax Matters.

(a) SPAC has prepared and filed all income and other material Tax Returns required to have been filed by it, all such Tax Returns are true and complete in all material respects, and SPAC has paid all income and other material Taxes required to have been paid by it regardless of whether shown on a Tax Return.

(b) SPAC has timely withheld and paid to the appropriate Tax Authority all material amounts required to have been withheld and paid in connection with amounts paid or owing to any employee, individual independent contractor, other service providers, creditors, equity interest holder or other third-party.

(c) No deficiencies for any material amount of Taxes against SPAC have been claimed, proposed or assessed in writing by any Tax Authority that remain unpaid. SPAC is not currently the subject of a material Tax audit or examination with respect to any Taxes. SPAC has not been informed in writing of the commencement or anticipated commencement of any Tax audit or examination that has not been resolved or completed, in each case with respect to material Taxes.

(d) SPAC is not party to any agreements (or has otherwise agreed) to extend or waive the time in which any Tax may be assessed or collected by any Tax Authority, other than any such extensions or waivers that are no longer in effect.

(e) No “closing agreement” as described in Section 7121 of the Code (or any corresponding or similar provision of state, local or non-U.S. income Tax Law), private letter rulings, technical advice memoranda or similar agreements or rulings have been entered into or issued by any Tax Authority with respect to SPAC which agreement or ruling would be effective after the Closing Date.

(f) SPAC is not and has not been a party to any “listed transaction” as defined in Section 6707A of the Code and Treasury Regulations Section 1.6011-4 (or any corresponding or similar provision of state, local or non-U.S. income Tax Law).

(g) There are no Liens for material amounts of Taxes on any assets of SPAC other than Permitted Liens.

(h) During the two (2)-year period ending on the date of this Agreement, SPAC was not a “distributing corporation” or a “controlled corporation” in a transaction purported or intended to be governed by Section 355 of the Code.

(i) SPAC (i) has not been a member of an affiliated group filing a consolidated U.S. federal income Tax Return or (ii) has no any Liability for the Taxes of any Person under Section 1.1502-6 of the Treasury Regulations (or any similar provision of state, local or non-United States Law) as a transferee or successor or by Contract (other than any Contract entered into in the ordinary course of business and the principal purpose of which does not relate to Taxes).

(j) No written claims have ever been made by any Tax Authority in a jurisdiction where SPAC does not file Tax Returns that SPAC is or may be subject to taxation by that jurisdiction, which claims have not been resolved or withdrawn.

(k) SPAC is not a party to any Tax allocation, Tax sharing or Tax indemnity or similar agreements (other than one that is included in a Contract entered into in the ordinary course of business and the principal purpose of which does not relate to Taxes).

(l) SPAC is Tax resident only in its jurisdiction of incorporation.

(m) SPAC does not have a permanent establishment (within the meaning of an applicable Tax treaty) or otherwise has an office or fixed place of business in a country other than the country in which it is organized.

(n) SPAC is not and since its incorporation has not been a “United States real property holding corporation” within the meaning of Section 897(c)(2) of the Code.

(o) Sponsor is, and has always been, tax resident solely in its country of incorporation. Sponsor does not have, and has never had, a “permanent establishment” (as defined in any applicable income tax treaty) or a fixed place of business in any country other than its country of incorporation. Sponsor is a non-Israeli resident company that never had any activities in Israel,

and its activity is and always has been controlled and managed outside of Israel. Each of Sponsor's respective directors, officers, managers and general managers are non-Israeli residents and conducted its activity solely outside of Israel. Neither Sponsor nor any of the equityholders of the Sponsor is an Israeli resident or has a "permanent establishment" (as defined in any applicable income tax treaty) or a fixed place of business in Israel to which its holdings in SPAC or the Sponsor, respectively, can be attributed.

(p) To the knowledge of SPAC, no shareholder in the SPAC who holds 5% or more of the SPAC's shares is tax resident in Israel or has a fixed place of business in Israel.

(q) SPAC will not be required to include any material item of income in, or exclude any material item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any (i) change in method of accounting for a taxable period ending on or prior to the Closing Date; (ii) installment sale made on or prior to the Closing Date; (iii) prepaid amount received on or prior to the Closing Date outside of the ordinary course of business; or (iv) use of an improper method of accounting for a taxable period on or prior to the Closing Date.

(r) SPAC is treated as a corporation for U.S. federal (and applicable state and local) income Tax purposes.

Section 4.17 Material Contracts; No Defaults.

(a) The SPAC has filed as an exhibit to the SPAC SEC Reports all Contracts, including every "material contract" (as such term is defined in Item 601(b)(10) of Regulation S-K of the SEC) (other than confidentiality and non-disclosure agreements and this Agreement) to which, as of the date of this Agreement, SPAC is a party or by which any of its respective assets are bound.

(b) Each Contract of a type required to be filed as an exhibit to the SPAC SEC Reports, whether or not filed, was entered into at arm's length. Except for any Contract that has terminated or will terminate upon the expiration of the stated term thereof prior to the Closing Date, with respect to any Contract of the type required to be filed as an exhibit to the SPAC SEC Reports, whether or not filed, (i) such Contracts are in full force and effect and represent the legal, valid and binding obligations of SPAC, and, to the knowledge of the SPAC, the other parties thereto, and are enforceable by SPAC to the extent a party thereto in accordance with their terms, subject in all respects to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other Laws relating to or affecting creditors' rights generally and general equitable principles (whether considered in a Proceeding in equity or at law), (ii) the SPAC and, to the knowledge of the SPAC, the counterparties thereto, are not in material breach of or material default (or would be in material breach, violation or default but for the existence of a cure period) under any such Contract, (iii) SPAC has not received any written or oral claim or notice of material breach of or material default under any such Contract, (iv) no event has occurred which, individually or together with other events, would reasonably be expected to result in a material breach of or a material default under any such Contract by SPAC or any other party thereto (in each case, with or without notice or lapse of time or both) and (v) SPAC has not received written notice from any other party to any such Contract that such party intends to terminate or not renew any such Contract.



Section 4.18 Absence of Changes. Since the date of SPAC's incorporation, (a) no change, event, effect or occurrence that, individually or in the aggregate with any other change, event, effect or occurrence, has had or would reasonably be expected to have a material adverse effect on the business, results of operations or financial condition of SPAC or the ability of SPAC to enter into, perform its obligations under this Agreement or consummate the Transactions and (b) except for commercially reasonable actions and omissions taken as a result of COVID-19 and COVID-19 Measures, or as expressly contemplated by this Agreement, any Ancillary Document or in connection with the Transactions, (i) SPAC has conducted its business in the ordinary course in all material respects and (ii) SPAC has not taken any action that would require the consent of the Company if taken during the period from the date of this Agreement until the Closing pursuant to Section 5.10.

Section 4.19 Employee Benefit Plans. SPAC does not maintain, contribute to or have any material obligation or liability, any "employee benefit plan" as defined in Section 3(3) of ERISA or any other material, written plan, policy, program, arrangement or agreement (other than employment agreements) providing compensation or benefits to any current or former director, officer, employee, independent contractor or other service provider of SPAC, including, without limitation, all incentive, bonus, deferred compensation, vacation, holiday, cafeteria, medical, disability, stock purchase, stock option, stock appreciation, phantom stock, restricted stock or other stock-based compensation plans, policies, programs, practices or arrangements, but not including any plan, policy, program, arrangement or agreement that covers only former directors, officers, employees, independent contractors and service providers and with respect to which SPAC has no remaining obligations or liabilities (collectively, the "SPAC Benefit Plans") and neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated by this Agreement (either alone or in combination with another event) will (i) result in any material payment (including severance, unemployment compensation, golden parachute, bonus or otherwise) becoming due to any shareholder, director, officer or employee of SPAC or (ii) result in the acceleration, vesting or creation of any rights of any shareholder, director, officer or employee of SPAC to material (x) payments or (y) benefits or (z) increases in any existing payments or benefits or any loan forgiveness.

Section 4.20 Sponsor Letter Agreement and the Registration Rights Agreement. SPAC has delivered to the Company a true, correct and complete copy of the Sponsor Letter Agreement and the Registration Rights Agreement. The Sponsor Letter Agreement and the Registration Rights Agreement is in full force and effect and has not been withdrawn or terminated, or otherwise amended or modified, in any respect, and no withdrawal, termination, amendment or modification is contemplated by SPAC. The Sponsor Letter Agreement and the Registration Rights Agreement are legal, valid and binding obligations of SPAC and, to the knowledge of SPAC, each other party thereto and neither the execution or delivery by any party thereto, nor the performance of any party's obligations under, the Sponsor Letter Agreement or the Registration Rights Agreement violates any provision of, or results in the breach of or default under, or require any filing, registration or qualification under, any applicable Law. No event has occurred that, with or without notice, lapse of time or both, would constitute a default or breach on the part of SPAC under any material term or condition of the Sponsor Letter Agreement or the Registration Rights Agreement.

Section 4.21 Investment Company Act. SPAC is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

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Section 4.22 Charter Provisions. As of the date of this Agreement, there is no shareholder rights plan, “poison pill” or similar anti-takeover agreement or plan in effect to which SPAC is subject, party or otherwise bound.

Section 4.23 Compliance with International Trade & Anti-Corruption Laws.

(a) Since SPAC’s incorporation, neither SPAC nor, to SPAC’s knowledge, any of their Representatives, or any other Persons acting for or on behalf of any of the foregoing, is or has been, (i) a Person named on any Israel, US, EU and UN Sanctions list and Export Control Laws; (ii) located, organized or resident in a country or territory which is itself the subject of or target of any comprehensive Sanctions and Export Control Laws (as of the date of this Agreement, Cuba, Iran, North Korea, Syria, and the Crimea region of Ukraine); (iii) an entity owned, directly or indirectly, by one or more Persons described in clause (i) or (ii); or (iv) otherwise engaged in dealings with or for the benefit of any Person described in clauses (i) through (iii).

(b) Since SPAC’s incorporation, neither SPAC, its directors or officers, nor, to SPAC’s knowledge, any of its employees, agents or any other Persons acting for or on behalf of any of SPAC has, directly or knowingly indirectly (i) made, offered, promised, authorized, paid or received any unlawful bribes, kickbacks or other similar payments to or from any Person, (ii) made, offered, promised, authorized or paid any unlawful contributions to a domestic or foreign political party or candidate or (iii) otherwise made, offered, promised, authorized, paid or received any improper payment in violation of any applicable Anti-Corruption Laws. SPAC has implemented and maintained policies and procedures reasonably designed to promote compliance with Anti-Corruption Laws, Sanctions and Export Control Laws.

(c) To the knowledge of SPAC, there is no current investigation, allegation, request for information, or other inquiry by any Governmental Entity regarding the actual or possible violation of the Anti-Corruption Laws by SPAC and since its date of incorporation, SPAC has not received any written notice that there is any investigation, allegation, request for information, or other inquiry by any Governmental Entity regarding an actual or possible violation of the Anti-Corruption Laws.

Section 4.24 Investigation; No Other Representations.

(a) SPAC, on its own behalf and on behalf of its Representatives, acknowledges, represents, warrants and agrees that (i) it has conducted its own independent review and analysis of, and, based thereon, has formed an independent judgment concerning, the business, assets, condition, operations and prospects, of the Group Companies and (ii) it has been furnished with or given access to such documents and information about the Group Companies and their respective businesses and operations as it and its Representatives have deemed necessary to enable it to make an informed decision with respect to the execution, delivery and performance of this Agreement, the Ancillary Documents and the Transactions.

(b) In entering into this Agreement and the Ancillary Documents to which it is or will be a party, SPAC has relied solely on its own investigation and analysis and the representations and warranties expressly set forth in ARTICLE III and in the Ancillary Documents to which it is or will be a party and no other representations or warranties of the Company, any Company Non-

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Party Affiliate or any other Person, either express or implied, and SPAC, on its own behalf and on behalf of its Representatives, acknowledges, represents, warrants and agrees that, except for the representations and warranties expressly set forth in ARTICLE III and in the Ancillary Documents to which it is or will be a party, none of the Company, any Company Non-Party Affiliate or any other Person makes or has made any representation or warranty, either express or implied, in connection with or related to this Agreement, the Ancillary Documents or the Transactions.

(c) SPAC acknowledges and agrees that any cost estimates, projections or other predictions, any data, any financial information or any memoranda or offering materials or presentations, including any offering memorandum or similar materials made available by any Group Company or Merger Sub are not and shall not be deemed to be or to include representations or warranties of the Company, Merger Sub any Company Non-Party Affiliate or any other person, and are not and shall not be deemed to be relied upon by SPAC or any SPAC Non-Party Affiliate in executing, delivering or performing this Agreement, the Ancillary Documents or the transactions contemplated hereby or thereby.

Section 4.25 Residency. SPAC is a non-Israeli resident company that has no activities in Israel, and its activity is controlled and managed outside of Israel. Each of SPAC's directors, officers, managers and general managers are non-Israeli residents and conduct SPAC's activity outside of Israel.

Section 4.26 EXCLUSIVITY OF REPRESENTATIONS AND WARRANTIES. NOTWITHSTANDING THE DELIVERY OR DISCLOSURE TO THE COMPANY PARTIES OR ANY OF ITS OR THEIR REPRESENTATIVES OF ANY DOCUMENTATION OR OTHER INFORMATION (INCLUDING ANY FINANCIAL PROJECTIONS OR OTHER SUPPLEMENTAL DATA), EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS ARTICLE IV AND THE ANCILLARY DOCUMENTS, NEITHER SPAC, NOR ANY SPAC NON-PARTY AFFILIATE OR ANY OTHER PERSON MAKES, AND SPAC EXPRESSLY DISCLAIMS, ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND OR NATURE, EXPRESS OR IMPLIED, IN CONNECTION WITH THIS AGREEMENT, THE ANCILLARY DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, INCLUDING AS TO THE MATERIALS RELATING TO THE BUSINESS AND AFFAIRS OR HOLDINGS OF SPAC THAT HAVE BEEN MADE AVAILABLE TO THE COMPANY PARTIES OR ANY OF ITS OR THEIR REPRESENTATIVES OR IN ANY PRESENTATION OF THE BUSINESS AND AFFAIRS OF SPAC BY OR ON BEHALF OF THE MANAGEMENT OF SPAC OR OTHERS IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED HEREBY OR BY THE ANCILLARY DOCUMENTS, AND NO STATEMENT CONTAINED IN ANY OF SUCH MATERIALS OR MADE IN ANY SUCH PRESENTATION SHALL BE DEEMED A REPRESENTATION OR WARRANTY HEREUNDER OR OTHERWISE OR DEEMED TO BE RELIED UPON BY THE COMPANY, MERGER SUB, OR ANY COMPANY NON-PARTY AFFILIATE IN EXECUTING, DELIVERING AND PERFORMING THIS AGREEMENT, THE ANCILLARY DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS SECTION 4.26, CLAIMS AGAINST SPAC OR ANY OTHER PERSON SHALL NOT BE LIMITED IN ANY RESPECT IN THE EVENT OF INTENTIONAL FRAUD UNDER DELAWARE LAW IN THE MAKING OF THE REPRESENTATIONS AND WARRANTIES IN ARTICLE IV AND THE REPRESENTATIONS AND WARRANTIES IN THE ANCILLARY DOCUMENTS BY SUCH PERSON.

**ARTICLE V.  
COVENANTS**

Section 5.1 Conduct of Business of the Company.

(a) From and after the date of this Agreement until the earlier of the Closing or the termination of this Agreement in accordance with its terms, the Company shall, and the Company shall cause its Subsidiaries to, except as expressly contemplated by this Agreement or any Ancillary Document, as required by applicable Law (including COVID-19 Measures), as set forth on Section 5.1(a) of the Company Disclosure Schedules, or as consented to in writing by SPAC (it being agreed that any request for a consent shall not be unreasonably withheld, conditioned or delayed), use its commercially reasonable efforts to (i) conduct and operate the business of the Group Companies in the ordinary course in all material respects, (ii) maintain and preserve intact in all material respects the business organization, assets, properties and material business relations of the Group Companies, taken as a whole, (iii) keep available the services of the Key Employees of the Company and (iv) preserve existing relations and goodwill of the Group Companies with major customers, suppliers, distributors and creditors of the Group Companies (as determined by the gross revenue contributed to the Group Companies by or the aggregate expenses or other amounts paid by the Group Companies to, such Persons, as applicable).

(b) Without limiting the generality of the foregoing, from and after the date of this Agreement until the earlier of the Closing or the termination of this Agreement in accordance with its terms, the Company shall, and the Company shall cause its Subsidiaries to, except as expressly contemplated by this Agreement or any Ancillary Document, as required by applicable Law (including COVID-19 Measures), as set forth on Section 5.1(b) of the Company Disclosure Schedules or as consented to in writing by SPAC (such consent, not to be unreasonably withheld, conditioned or delayed), not do any of the following:

(i) declare, set aside, make or pay a dividend on, or make any other distribution or payment (whether in cash, stock or property) in respect of, any Equity Securities of any Group Company or Merger Sub or repurchase, redeem or otherwise acquire or offer to repurchase, redeem or otherwise acquire, any outstanding Equity Securities of any Group Company or Merger Sub, other than (x) dividends or distributions, declared, set aside or paid by any of the Company's Subsidiaries to the Company or any Subsidiary that is, directly or indirectly, wholly owned by the Company, (y) any dividends or distributions required under the Governing Documents of any joint venture of any Subsidiaries of the Company and (z) repurchases of any Equity Securities pursuant to its existing equity incentive awards as of the date hereof (or equity incentive awards permitted to be issued pursuant to this Agreement on and after the date hereof);

(ii) (A) merge, consolidate, combine or amalgamate any Group Company or Merger Sub with any Person or (B) purchase or otherwise acquire (whether by merging or consolidating with, purchasing any Equity Security in or a substantial portion of the assets of, or by any other manner) any corporation, partnership, association or other business entity or organization or division thereof, other than such acquisitions and purchases that would not require financial statements of the acquired business to be included in the Registration Statement / Proxy Statement pursuant to Rule 3-05 of Regulation S-X under the Securities Act;

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(iii) adopt any amendments, supplements, restatements or modifications to any Group Company's or Merger Sub's Governing Documents, the Company Investor Agreements or the Registration Rights Agreement (other than *de minimis* amendments);

(iv) transfer, issue, sell, grant or otherwise directly or indirectly dispose of, or subject to a Lien (other than a Permitted Lien or a Lien in respect of the Equity Securities of the Company), (A) any Equity Securities of any Group Company or Merger Sub or (B) any options, restricted stock, warrants, rights of conversion or other rights, agreements, arrangements or commitments obligating any Group Company or Merger Sub to issue, deliver or sell any Equity Securities of any Group Company, other than (i) to employees and independent contractors of the Group Companies in the ordinary course of business consistent with past practice in a cumulative amount not to exceed 300,000 Company Options, in each case, out of the Company Equity Plan, (ii) the issuance of shares of capital stock of the Company upon the exercise of any Company Equity Award outstanding on the date of this Agreement (or equity incentive awards permitted to be issued pursuant to this Agreement on and after the date hereof) in accordance with the terms of the applicable Company Equity Plan and the underlying grant, award or similar agreement or (iii) pursuant to the PIPE Subscription Agreements;

(v) incur, create or assume any Indebtedness for borrowed money in excess of \$1,000,000 (either individually or in the aggregate), other than (x) any amounts payable under purchase orders, including any trade payables, (y) between the Company and any of its wholly owned Subsidiaries or between any of such wholly owned Subsidiaries or (z) in connection with borrowings, extensions of credit and other financial accommodations under the Company's and Subsidiaries' existing credit facilities, notes and other existing Indebtedness and, in each case, any refinancings thereof; provided that, in the case of clause (z) above, such borrowings do not exceed \$5,000,000 in the aggregate, and such Indebtedness for borrowed money is incurred in the ordinary course of the Company's or such Subsidiary's business;

(vi) make any loans, advances or capital contributions to, or guarantees for the benefit of, or any investments in, any Person, in each case for an amount in excess of \$500,000 (either individually or in the aggregate), other than (A) intercompany loans or capital contributions between the Company and any of its wholly owned Subsidiaries, (B) the reimbursement of expenses of employees in the ordinary course of business, (C) prepayments and deposits paid to suppliers of any Group Company in the ordinary course of business, (D) trade credit extended to customers of the Group Companies in the ordinary course of business and (E) advances to wholly owned Subsidiaries of the Company;

(vii) except (w) as required under the existing terms of any Employee Benefit Plan of any Group Company that is set forth on Section 3.11(a) of the Company Disclosure Schedules, (x) as required under the terms of this Agreement (including pursuant to Section

5.17 of this Agreement), (y) as required by any applicable Law or (z) in the ordinary course of business, (A) adopt, enter into, terminate or materially amend or modify any material Employee Benefit Plan of any Group Company or any other material benefit or compensation plan, policy, program, agreement, trust, fund or Contract that would be an Employee Benefit Plan if in effect as of the date of this Agreement, (B) materially increase or decrease the compensation payable to any current or former director, manager, officer, employee, individual independent contractor or other service provider of any Group Company, in each case with annual base compensation in excess of \$500,000, (C) accelerate, by any action or omission of any Group Company, any payment, right to payment, vesting or benefit, or the funding of any payment, right to payment, vesting or benefit, payable or to become payable to any current or former director, manager, officer, employee, individual independent contractor or other service provider of any Group Company or (D) waive or release any noncompetition, non-solicitation, no-hire, nondisclosure or other restrictive covenant obligation of any current or former director, manager, officer, employee, individual independent contractor or other service provider of any Group Company in each case with annual base compensation in excess of \$500,000;

(viii) (i) materially modify, extend (other than extension in the ordinary course of business), terminate, negotiate, or enter into any CBA or (ii) recognize or certify any labor union, works council, or other labor organization or group of employees of the Group Companies as the bargaining representative for any employees of the Group Companies;

(ix) hire, engage, terminate (without cause), furlough, or temporarily lay off any Key Employee;

(x) implement or announce any closings, employee layoffs, furloughs, reductions-in-force, reduction in terms and conditions of employment, or other personnel actions that could implicate the WARN Act;

(xi) except in the ordinary course of business, make, change or revoke any material election concerning Taxes (including, for the avoidance of doubt, making any U.S. federal income Tax entity classification election pursuant to Treasury Regulations Section 301.7701-3(c) with respect to the Company), change or otherwise modify any material income or other method of accounting as such relates to Taxes, amend any material Tax Return, surrender any right to claim a material refund of Taxes, enter into any Tax closing agreement, settle any material Tax claim or assessment, change the Company's jurisdiction of Tax residence, or consent to any extension or waiver of the limitation period applicable to or relating to any material Tax claim or assessment;

(xii) enter into any settlement, conciliation or similar Contract outside of the ordinary course of business the performance of which would involve the payment by the Group Companies in excess of either \$1,000,000 individually or \$5,000,000 in the aggregate, or that imposes, or by its terms will impose at any point in the future, any material, non-monetary obligations on any Group Company (or SPAC or any of its Affiliates after the Closing);

(xiii) authorize, recommend, propose or announce an intention to adopt, or otherwise effect, a plan of complete or partial liquidation, dissolution, restructuring, recapitalization, reorganization or similar transaction involving any Group Company (other than dormant entities), or to voluntarily initiate or permit or consent to any proceeding of insolvency, bankruptcy, receivership, administration, conservatorship or other similar proceeding involving any Group Company (other than dormant entities);

(xiv) change any Group Company's methods of accounting in any material respect, other than changes that are made in accordance with PCAOB standards;

(xv) enter into any Contract with any broker, finder, investment banker or other Person under which such Person is or will be entitled to any brokerage fee, finders' fee or other commission in connection with the transactions contemplated by this Agreement;

(xvi) except for entries, modifications, amendments, waivers or terminations in the ordinary course of business, enter into, materially modify, materially amend, waive any material right under or terminate (excluding any termination for breach by the counterparty(ies) or expiration in accordance with its terms), any Contract required to be disclosed on Section 3.7(a) of the Company Disclosure Schedules or any material Real Property Lease (excluding, for the avoidance of doubt, any expiration or automatic extension or renewal of any such Material Contract or Real Property Lease pursuant to its terms);

(xvii) abandon, sell, assign, or exclusively license any material Company Owned Intellectual Property to any Person (other than in the ordinary course of business);

(xviii) sell, lease, license, encumber or otherwise dispose of any properties or assets material to the Group Companies, taken as a whole, except for the sale, lease, license, or disposition in the ordinary course of business;

(xix) close any material facility or discontinue any material line of business or material business operations;

(xx) suffer any Lien on or transfer (other than pursuant to non-exclusive licenses), let lapse, abandon or dispose of any material Company Owned Intellectual Property; or

(xxi) enter into any Contract to take, or cause to be taken, any of the actions set forth in this Section 5.1.

Notwithstanding anything in this Section 5.1 or this Agreement to the contrary, (a) nothing set forth in this Agreement shall give SPAC, directly or indirectly, the right to control or direct the operations of the Group Companies prior to the Closing, (b) any action taken, or omitted to be taken, by any Group Company to the extent such act or omission is reasonably determined by the Company, based on the advice of outside legal counsel, to be necessary to comply with any Law, Order, directive, pronouncement or guideline issued by a Governmental Entity providing for business closures, "sheltering-in-place" or other restrictions that relates to, or arises out of, COVID-19 shall in no event be deemed to constitute a breach of this Section 5.1 and (c) any action

taken, or omitted to be taken, by any Group Company to the extent that the Company Board reasonably determines that such act or omission is necessary in response to COVID-19, including to maintain and preserve the business organization, assets, properties and business relations of the Group Companies shall not be deemed to constitute a breach of this Section 5.1; provided, however, (i) in the case of each of clauses (b) and (c), the Company shall give SPAC prior written notice of any such act or omission to the extent reasonably practicable, which notice shall describe in reasonable detail the act or omission and the reason(s) that such act or omission is being taken, or omitted to be taken, pursuant to clause (b) or (c) and, in the event that it is not reasonably practicable for the Company to give the prior written notice described in this clause (i), the Company shall instead give such written notice to SPAC promptly after such act or omission, and (ii) in no event shall clause (b) or (c) be applicable to any act or omission of the type described in Section 5.1(b)(i), Section 5.1(b)(ii), Section 5.1(b)(iii), Section 5.1(b)(iv), Section 5.1(b)(vii), Section 5.1(b)(viii), Section 5.1(b)(x), Section 5.1(b)(xii) or Section 5.1(b)(xiv) (to the extent related to any of the foregoing).

#### Section 5.2 Efforts to Consummate; Litigation.

(a) Subject to the terms and conditions herein provided, each of the Parties shall use reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things reasonably necessary or advisable to consummate and make effective as promptly as reasonably practicable the transactions contemplated by this Agreement (including (i) the satisfaction, but not waiver, of the closing conditions set forth in ARTICLE VI and, in the case of any Ancillary Document to which such Party will be a party after the date of this Agreement, to execute and delivery such Ancillary Document when required pursuant to this Agreement and (ii) using reasonable best efforts to obtain the PIPE Financing on the terms and subject to the conditions set forth in the Subscription Agreements). Without limiting the generality of the foregoing, each of the Parties shall use reasonable best efforts to obtain, file with or deliver to, as applicable, any Consents of any Governmental Entities or other Persons necessary, proper or advisable to consummate the Transactions (including the filing of any Form F-4 as provided in Section 5.7 and any filing by the Company of a notification with the IIA as required in connection with the Governmental Grants obtained by the Group Companies (as accompanied, if required under the IIA Law, by the IIA Undertaking(s) (as such terms are defined below))). The Company on the one hand, and SPAC, on the other hand, shall, each, pay fifty percent (50%) of all costs incurred in connection with obtaining such Consents; provided, however, that each Party shall bear its out-of-pocket costs and expenses in connection with the preparation of any filing for any such Consents. Each Party shall respond as promptly as reasonably practicable to any requests by any Governmental Entity for additional information and documentary material that may be requested pursuant to any Law. SPAC shall promptly inform the Company of any communication between SPAC, on the one hand, and any Governmental Entity, on the other hand, and the Company shall promptly inform SPAC of any communication between any Company Party, on the one hand, and any Governmental Entity, on the other hand, in either case, regarding any of the Transactions. Without limiting the foregoing, each Party and its respective Affiliates shall not enter into any agreement with any Governmental Entity to delay or not to consummate the Transactions, except with the prior written consent of SPAC and the Company. Nothing in this Section 5.2 or this Agreement obligates any Party or any of its Affiliates to agree to (A) sell, license or otherwise dispose of, or hold separate and agree to sell, license or otherwise dispose of, any entities, assets or facilities of any Group Company or any entity, facility or asset of such Party or any of its



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Affiliates, (B) terminate, amend or assign existing relationships and contractual rights or obligations, (C) amend, assign or terminate existing licenses or other agreements, (D) enter into new licenses or other agreements or (E) enter into any consent decree or similar arrangement. No Party shall agree to any of the foregoing measures with respect to any other Party or any of its Affiliates, except with SPAC's and the Company's prior written consent.

(b) From and after the date of this Agreement until the earlier of the Closing or termination of this Agreement in accordance with its terms, SPAC, on the one hand, and the Company Parties, on the other hand, shall, to the extent permitted by applicable Law, (i) use reasonable best efforts to furnish to each other all information required for any application or other filing to be made pursuant to any Antitrust Law in connection with the transactions contemplated by this Agreement or the Ancillary Documents, (ii) keep each other apprised of the status of matters relating to any Consent of any Governmental Entity contemplated by this Agreement or any Ancillary Document, (iii) give counsel for the Company Parties (in the case of SPAC) or SPAC (in the case of any Company Party), a reasonable opportunity to review in advance, and consider in good faith the views of the other in connection with, any proposed written communication to any Governmental Entity relating to the Transactions, and (iv) consult and cooperate with one another in connection with any analyses, appearances, presentations, memoranda, briefs, arguments, opinions and proposals made or submitted by or on behalf of either Party in connection with judicial proceedings under or relating to any Antitrust Law. To the extent reasonably practicable and permitted by applicable Law, each of the Parties agrees not to participate in any substantive meeting or discussion, either in person or by telephone with any Governmental Entity in connection with the transactions contemplated by this Agreement unless it consults with, in the case of any Company Party, SPAC, or, in the case of SPAC, any Company Party, in advance and, to the extent not prohibited by such Governmental Entity, gives, in the case of any Company Party, SPAC, or, in the case of SPAC, the Company, the opportunity to attend and participate in such meeting or discussion. If any Party receives a request for additional information or documentary material from any such Governmental Entity with respect to the transactions contemplated by this Agreement or the Ancillary Documents, then such Party will use its reasonable best efforts to make, or cause to be made, as expeditiously as possible and after consultation with the other Parties, an appropriate response to such request.

(c) From and after the date of this Agreement until the earlier of the Closing or termination of this Agreement in accordance with its terms, SPAC, on the one hand, and the Company, on the other hand, shall each notify the other in writing promptly after learning of any shareholder demands or other shareholder Proceedings (including derivative claims) relating to this Agreement, any Ancillary Document or any matters relating thereto (collectively, the "Transaction Litigation") commenced against, in the case of SPAC, SPAC or any of its Representatives (in their capacity as a Representative of SPAC) or, in the case of the Company and Merger Sub, any Group Company or Merger Sub or any of their respective Representatives (in their capacity as a Representative of any Group Company or Merger Sub). SPAC and the Company shall each (i) keep the other reasonably informed regarding any Transaction Litigation, (ii) give the other the opportunity to, at its own cost and expense, participate in the defense, settlement and compromise of any such Transaction Litigation and reasonably cooperate with the other in connection with the defense, settlement and compromise of any such Transaction Litigation, (iii) consider in good faith the other's advice with respect to any such Transaction Litigation and (iv) reasonably cooperate with each other in connection therewith. Notwithstanding

the foregoing, (1) SPAC shall, subject to and without limiting the covenants and agreements, and the rights of the Company, set forth in the immediately preceding sentence, control the negotiation, defense and settlement of any such Transaction Litigation that is commenced against SPAC or any of its Representatives (in their capacity as a Representative of SPAC); provided, however, that in no event shall SPAC or any of its Representatives settle or compromise any such Transaction Litigation without the Company's prior written consent (not to be unreasonably withheld, conditioned or delayed, provided that it shall be deemed to be reasonable for the Company to withhold, condition or delay its consent if any such settlement or compromise (A) does not provide for a legally binding, full, unconditional and irrevocable release of the Company, any other Group Company, Merger Sub and their respective Representative(s) that are the subject of such Transaction Litigation, (B) provides for (x) the payment of cash any portion of which is payable by the Company, any other Group Company, Merger Sub or any of their respective Representative(s) thereof or would otherwise constitute a Company Liability or (y) any non-monetary, injunctive, equitable or similar relief against the Company, any other Group Company, Merger Sub or any of their respective Representatives or (C) contains an admission of wrongdoing or Liability by the Company, any other Group Company, Merger Sub or any of their respective Representatives) and (2) the Company shall, subject to and without limiting the covenants and agreements, and the rights of the SPAC, set forth in the immediately preceding sentence, control the negotiation, defense and settlement of any such Transaction Litigation that is commenced against any Group Company or Merger Sub or any of their respective Representatives (in their capacity as a Representative of any Group Company or Merger Sub); provided, however, that in no event shall the Company, any other Group Company, Merger Sub or any of their respective Representatives settle or compromise any Transaction Litigation without the prior written consent of SPAC (not to be unreasonably withheld, conditioned or delayed, provided that it shall be deemed to be reasonable for SPAC to withhold, condition or delay its consent if any such settlement or compromise (A) does not provide for a legally binding, full, unconditional and irrevocable release of SPAC and its Representative(s) that are the subject of such Transaction Litigation, (B) provides for (x) the payment of cash any portion of which is payable by SPAC or its Representative(s) thereof or would otherwise constitute a SPAC Liability or (y) any non-monetary, injunctive, equitable or similar relief against SPAC or any of its Representatives or (C) contains an admission of wrongdoing or Liability by SPAC or any of its Representatives).

### Section 5.3 Confidentiality and Access to Information.

(a) The Parties hereby acknowledge and agree that the information being provided in connection with this Agreement and the consummation of the transactions contemplated hereby is subject to the terms of the Confidentiality Agreement, the terms of which are incorporated herein by reference. Notwithstanding the foregoing or anything to the contrary in this Agreement, in the event that this Section 5.3(a) or the Confidentiality Agreement conflicts with any other covenant or agreement contained herein or any Ancillary Document that contemplates the disclosure, use or provision of information or otherwise, then such other covenant or agreement contained herein or therein shall govern and control to the extent of such conflict.

(b) From and after the date of this Agreement until the earlier of the Closing Date or the termination of this Agreement in accordance with its terms, upon reasonable advance written notice, the Company shall provide, or cause to be provided, to SPAC and, subject to execution and delivery of a confidentiality agreement in the Company's standard form, its Representatives during

normal business hours reasonable access to the directors, officers, books and records of the Group Companies, including financial information used in the preparation of the Financial Statements (in a manner so as to not interfere with the normal business operations of the Group Companies). Notwithstanding the foregoing, none of the Group Companies shall be required to provide to SPAC or any of its Representatives any information (i) if and to the extent doing so would (A) violate any Law to which any Group Company is subject, including any privacy Law, (B) result in the disclosure of any trade secrets of third-parties in breach of any Contract with such third-party, (C) violate any legally binding obligation of any Group Company with respect to confidentiality, non-disclosure or privacy or (D) jeopardize protections afforded to any Group Company under the attorney-client privilege or the attorney work product doctrine (provided that, in case of each of clauses (A) through (D), the Company shall, and shall cause the other Group Companies to, use commercially reasonable efforts to (x) provide such access as can be provided (or otherwise convey such information regarding the applicable matter as can be conveyed) without violating such privilege, doctrine, Contract, obligation or Law and (y) provide such information in a manner without violating such privilege, doctrine, Contract, obligation or Law), or (ii) if any Group Company or Merger Sub, on the one hand, and SPAC, any SPAC Non-Party Affiliate or any of their respective Representatives, on the other hand, are adverse parties in a litigation and such information is reasonably pertinent thereto; provided that the Company shall, in the case of clause (i) or (ii), provide prompt written notice of the withholding of access or information on any such basis.

(c) From and after the date of this Agreement until the earlier of the Closing Date or the termination of this Agreement in accordance with its terms, upon reasonable advance written notice, SPAC shall provide, or cause to be provided, to the Company and, subject to execution and delivery of a confidentiality agreement in SPAC's standard form, its Representatives (i) during normal business hours reasonable access to the directors, officers, books and records of SPAC (in a manner so as to not interfere with the normal business operations of SPAC) and (ii) information that is reasonably necessary for the Company to calculate the SPAC Expenses and Aggregate Transaction Proceeds. Notwithstanding the foregoing, SPAC shall not be required to provide, or cause to be provided to, the Company or any of its Representatives any Evaluation Material.

#### Section 5.4 Public Announcements.

(a) Subject to Section 5.4(b), Section 5.7 and Section 5.8, none of the Parties or any of their respective Representatives shall issue any press releases or make any public announcements with respect to this Agreement or the transactions contemplated hereby without the prior written consent of, prior to the Closing, the Company and SPAC or, after the Closing, the Company; provided, however, that each Party may make any such announcement or other communication (i) if such announcement or other communication is required by applicable Law, in which case (A) prior to the Closing, the disclosing Party and its Representatives shall use commercially reasonable efforts to consult with the Company, if the disclosing party is SPAC, or SPAC, if the disclosing party is any Company Party, to review such announcement or communication and the opportunity to comment thereon and the disclosing Party shall consider such comments in good faith, or (B) after the Closing, the disclosing Party and its Representatives shall use commercially reasonable efforts to consult with the Company and the disclosing Party shall consider such comments in good faith, (ii) to the extent such announcements or other communications contain only information previously disclosed in a public statement, press release or other communication previously approved in accordance with this Section 5.4 and (iii) subject to the terms of Section 5.2, to Governmental Entities in connection with any Consents required to be made under this Agreement, the Ancillary Documents or in connection with the Transactions.

(b) The initial press release concerning this Agreement and the transactions contemplated hereby shall be a joint press release in the form agreed by the Company and SPAC prior to the execution of this Agreement and such initial press release (the “Signing Press Release”) shall be released as promptly as reasonably practicable after the execution of this Agreement on the day thereof. Promptly after the execution of this Agreement, SPAC shall file a current report on Form 8-K (the “Signing Filing”) with the Signing Press Release and a description of this Agreement as required by, and in compliance with, the Securities Laws, which the Company shall have the opportunity to review and comment upon prior to filing and SPAC shall consider such comments in good faith. The Company, on the one hand, and SPAC, on the other hand, shall mutually agree upon (such agreement not to be unreasonably withheld, conditioned or delayed by either the Company or SPAC, as applicable) a press release announcing the consummation of the transactions contemplated by this Agreement (the “Closing Press Release”) prior to the Closing, and, on the Closing Date, the Parties shall cause the Closing Press Release to be released. Promptly after the Closing (but in any event within four (4) Business Days after the Closing), the Company shall file a current report on Form 8-K (the “Closing Filing”) with the Closing Press Release and a description of the Closing as required by Securities Laws. In connection with the preparation of each of the Signing Press Release, the Signing Filing, the Closing Press Release and the Closing Filing, each Party shall, upon written request by any other Party, furnish such other Party with all information concerning itself, its directors, officers and equityholders, and such other matters as may be reasonably necessary for such press release or filing.

#### Section 5.5 Tax Matters.

(a) Transfer Taxes. Notwithstanding anything to the contrary contained herein, each of the Company and SPAC shall pay fifty percent (50%) of all transfer, documentary, sales, use, stamp, registration, value added or other similar Taxes (which, for the avoidance of doubt, shall not include any Tax imposed on or determined with reference to income, profits, gross receipts, or direct or indirect capital gains) incurred in connection with the Merger and the other transactions contemplated hereby (“Transfer Taxes”). The Parties shall file (or cause to be filed) all necessary Tax Returns with respect to all such Transfer Taxes. The Parties agree to reasonably cooperate to (i) sign and deliver such resale and other certificates or forms as may be necessary or appropriate to establish an exemption from (or otherwise reduce) any such Transfer Taxes and (ii) prepare and file (or cause to be prepared and filed) all Tax Returns in respect of any such Transfer Taxes.

(b) Tax Treatment. It is intended that (i) the Merger qualify as a “reorganization” within the meaning of Section 368(a) of the Code, and this Agreement constitute a “plan of reorganization” within the meaning of Treasury Regulations Sections 1.368-2(g) and 1.368-3 and (ii) any transfer of SPAC Shares by a SPAC Stockholder pursuant to the Merger (other than any person that would be a “five-percent transferee shareholder” (within the meaning of United States Treasury Regulation Section 1.367(a)-3(c)(5)(ii)) of the Company that does not enter into a five (5)-year gain recognition agreement in the form provided in United States Treasury Regulation Section 1.367(a)-8(c)) qualify for an exception to Section 367(a)(1) of the Code as of the Effective Time (collectively, the “Intended Tax Treatment”). Each of the Parties hereto agrees to report for

all Tax purposes in a manner consistent with the Intended Tax Treatment, and not otherwise take any U.S. federal income tax position inconsistent with, this Section 5.5(b), in each case, to the extent permitted by Law. No Party shall assert that such reporting is not permitted by Law unless (i) such Party first makes a determination in good faith based on advice of a law firm or accounting firm that such reporting is not permitted by Law and (ii) consults in good faith with the other Parties and the Sponsor about such determination. Without limiting the foregoing, the Company shall cause the SPAC to comply with the reporting requirements contained in Treasury Regulations Section 1.367(a)-3(c)(6) unless otherwise required by applicable Law. Each of the Parties hereto further acknowledges and hereby agrees that (A) it is not a condition to the Closing that (i) the Merger qualifies as a “reorganization” within the meaning of Section 368(a) of the Code or (ii) the transfer of SPAC Shares by any SPAC Stockholder pursuant to the Merger qualifies for an exception to Section 367(a)(1) of the Code, and (B) neither SPAC nor any Group Company shall have any liability or obligation to any Person (including any Person who at any time held shares or warrants of SPAC) if the Merger does not qualify as a “reorganization” within the meaning of Section 368(a) of the Code or the transfer of SPAC Shares by any SPAC Stockholder does not qualify for an exception to Section 367(a)(1) of the Code.

(c) So long as there has not been an agreement by Sponsor, SPAC, and the Company that the Intended Tax Treatment is not permitted by Law or a “determination” within the meaning of Section 1313 of the Code that the tax treatment is not permitted by Law, the Group Companies shall use reasonable best efforts to comply with the covenants set forth in Annex B (the “Reorganization Covenants”).

(d) At or prior to the Closing, SPAC shall have delivered to the Company a certificate and notice pursuant to Treasury Regulation Sections 1.1445-2(c)(3) and 1.897-2(h)(2) certifying that SPAC has not been a “United States real property holding corporation” within the meaning of Code Section 897(c)(2) during the five (5)-year period ending on the Closing Date, in a form reasonably acceptable to the Company.

#### Section 5.6 Exclusive Dealing.

(a) The Company shall immediately cease and cause to be terminated all existing discussions and negotiations with any parties with respect to any proposal that constitutes or may be reasonably expected to constitute or lead to a Company Acquisition Proposal. From the date of this Agreement until the earlier of the Closing or the termination of this Agreement in accordance with its terms, the Company Parties shall not, and shall cause the other Group Companies not to, and shall not authorize or permit their respective Representatives to, and shall use their reasonable best efforts to cause its and their respective Representatives not to, directly or indirectly: (i) solicit, initiate, knowingly encourage (including by means of furnishing or disclosing information), knowingly facilitate, discuss or negotiate, directly or indirectly, any inquiry, proposal or offer (written or oral) with respect to a Company Acquisition Proposal; (ii) furnish or disclose any non-public information to any Person in connection with, or that would reasonably be expected to lead to, a Company Acquisition Proposal; (iii) enter into any Contract or other arrangement or understanding regarding a Company Acquisition Proposal; (iv) prepare or take any steps in connection with a public offering of any Equity Securities of any Group Company or Merger Sub (or any Affiliate or successor of any Group Company or Merger Sub); (v) waive or otherwise forbear in the enforcement of any rights or other benefits under confidential information agreements relating to a Company Acquisition Proposal, including without limitation any “standstill” or similar provisions thereunder, or (vi) otherwise cooperate in any way with, or assist or participate in, or knowingly facilitate or encourage any effort or attempt by any Person to do or seek to do any of the foregoing.

(b) From the date of this Agreement until the earlier of the Closing or the termination of this Agreement in accordance with its terms, SPAC shall not, and shall cause its Representatives not to, directly or indirectly: (i) solicit, initiate, encourage (including by means of furnishing or disclosing information), facilitate, discuss or negotiate, directly or indirectly, any inquiry, proposal or offer (written or oral) with respect to a SPAC Acquisition Proposal; (ii) furnish or disclose any non-public information to any Person in connection with, or that would reasonably be expected to lead to, a SPAC Acquisition Proposal; (iii) enter into any Contract or other arrangement or understanding regarding a SPAC Acquisition Proposal; (iv) prepare or take any steps in connection with an offering of any securities of SPAC (or any Affiliate or successor of SPAC); or (v) otherwise cooperate in any way with, or assist or participate in, or knowingly facilitate or encourage any effort or attempt by any Person to do or seek to do any of the foregoing.

Section 5.7 Preparation of Registration Statement / Proxy Statement. As promptly as reasonably practicable following the date of this Agreement, SPAC and the Company shall prepare and mutually agree upon (such agreement not to be unreasonably withheld, conditioned or delayed by either SPAC or the Company, as applicable): (a) a proxy statement (the "Proxy Statement") to be filed with the SEC by SPAC relating to the Transaction Proposals to be submitted to the holders of SPAC Shares at the SPAC Stockholders Meeting, all in accordance with and as required by SPAC's Governing Documents, applicable Law, and any applicable rules and regulations of the SEC and NYSE and (b) a registration statement on Form F-4 to be filed with the SEC by Company pursuant to which Company Ordinary Shares and Company Warrants issuable in the Merger will be registered with the SEC and that will include the Proxy Statement (such document, the "Registration Statement / Proxy Statement"), all in accordance with and as required by SPAC's Governing Documents, applicable Law, and any applicable rules and regulations of the SEC and NYSE. Each of SPAC and the Company shall use its commercially reasonable efforts to (a) cause the Registration Statement / Proxy Statement to comply in all material respects with the applicable rules and regulations promulgated by the SEC (including, with respect to the Group Companies, the provision of financial statements of, and any other information with respect to, the Group Companies for all periods, and in the form, required to be included in the Registration Statement / Proxy Statement under Securities Laws (after giving effect to any waivers received) or in response to any comments from the SEC); (b) promptly notify the other party of, reasonably cooperate with each other with respect to and respond promptly to any comments of the SEC or its staff; (c) have the Registration Statement / Proxy Statement declared effective under the Securities Act as promptly as reasonably practicable after it is filed with the SEC; and (d) keep the Registration Statement / Proxy Statement effective through the Closing in order to permit the consummation of the transactions contemplated by this Agreement. SPAC, on the one hand, and the Company, on the other hand, shall promptly furnish, or cause to be furnished, to the other all information concerning such Party, its Non-Party Affiliates and their respective Representatives that may be required or reasonably requested in connection with any action contemplated by this Section 5.7 or for including in any other statement, filing, notice or application made by or on behalf of the Company or SPAC to the SEC or NYSE in connection with the Transactions. If any Party becomes aware of any information that should be disclosed in an amendment or supplement to the

Registration Statement / Proxy Statement, then (i) such Party shall promptly inform, in the case of any Company Party, SPAC, or, in the case of SPAC, the Company, thereof; (ii) such Party shall prepare and mutually agree upon with, in the case of SPAC, the Company, or, in the case of the Company, SPAC (in either case, such agreement not to be unreasonably withheld, conditioned or delayed), an amendment or supplement to the Registration Statement / Proxy Statement; (iii) the Company shall file such mutually agreed upon amendment or supplement with the SEC; and (iv) the Parties shall reasonably cooperate, if appropriate, in mailing such amendment or supplement to the SPAC Stockholders and the Company Shareholders. The Company shall as promptly as reasonably practicable advise SPAC of the time of effectiveness of the Registration Statement / Proxy Statement, the issuance of any stop order relating thereto or the suspension of the qualification of Company Ordinary Shares or Company Warrants for offering or sale in any jurisdiction, and the Company and SPAC shall each use its commercially reasonable efforts to have any such stop order or suspension lifted, reversed or otherwise terminated. Each of the Parties shall use commercially reasonable efforts to ensure that none of the information related to him, her or it or any of his, her or its Non-Party Affiliates or its or their respective Representatives, supplied by or on his, her or its behalf for inclusion or incorporation by reference in the Registration Statement / Proxy Statement will, at the time the Registration Statement / Proxy Statement is initially filed with the SEC, at each time at which it is amended, or at the time it becomes effective under the Securities Act contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading. The Company and/or its designees shall pay all fees in connection with the registration of Company Securities and the filing of the Registration Statement / Proxy Statement.

Section 5.8 SPAC Stockholder Approval. SPAC shall, as promptly as reasonably practicable, (i) after the Registration Statement / Proxy Statement is declared effective under the Securities Act, establish the record date for, duly call, give notice of, convene and hold the SPAC stockholders meeting in accordance with the Governing Documents of SPAC and the DGCL (the "SPAC Stockholders Meeting"), (ii) after the Registration Statement / Proxy Statement is declared effective under the Securities Act, cause the proxy statement contained therein to be disseminated to the SPAC Stockholders and (iii) after the Registration Statement / Proxy Statement is declared effective under the Securities Act, solicit proxies from the SPAC Stockholders to vote in accordance with the SPAC Board Recommendation, and, if applicable, any approvals related thereto, and providing the SPAC Stockholders with the Offer. SPAC shall, through approval of its board of directors, recommend to its shareholders (the "SPAC Board Recommendation"): (i) the adoption and approval of this Agreement and the transactions contemplated hereby (including the Merger and the issuance of the Merger Consideration hereunder) (the "Business Combination Proposal"); (ii) the adoption and approval of each other proposal that either the SEC or NYSE (or the respective staff members thereof) indicates is necessary in its comments to the Registration Statement / Proxy Statement or in correspondence related thereto; (iii) the adoption and approval of each other proposal reasonably agreed to by SPAC and the Company as necessary or appropriate in connection with the consummation of the Transactions; and (iv) the adoption and approval of a proposal for the adjournment of the SPAC Stockholders Meeting, if necessary, to permit further solicitation of proxies because there are not sufficient votes to approve and adopt any of the foregoing (such proposals in (i) through (iv) together, the "Transaction Proposals"); provided, that SPAC may adjourn the SPAC Stockholders Meeting (and SPAC shall adjourn the meeting in

increments of not more than ten (10) Business Days but in no event more than thirty (30) Business Days in the aggregate if an adjournment is reasonably requested by the Company in writing (in each case, such later date requested by the Company, the “Requested Date”) (A) to solicit additional proxies for the purpose of obtaining the SPAC Stockholder Approval, (B) for the absence of a quorum, (C) to allow reasonable additional time for the filing or mailing of any supplemental or amended disclosures that SPAC has determined, based on the advice of outside legal counsel, is reasonably likely to be required under applicable Law and for such supplemental or amended disclosure to be disseminated and reviewed by the SPAC Stockholders prior to the SPAC Stockholders Meeting or (D) if the holders of SPAC Shares have elected to redeem a number of SPAC Shares as of such time that would reasonably be expected to result in the condition set forth in Section 6.3(c) not being satisfied; provided further that, without the consent of the Company, in no event shall SPAC adjourn the SPAC Stockholders Meeting for more than fifteen (15) Business Days later than the most recently adjourned meeting or to a date that is beyond four (4) Business Days prior to the Termination Date. The SPAC Board Recommendation shall be included in the Registration Statement / Proxy Statement. Except as otherwise required by applicable Law, SPAC covenants that none of the SPAC Board or SPAC nor any committee of the SPAC Board shall change, withdraw, withhold or modify, or propose publicly or by formal action of the SPAC Board, any committee of the SPAC Board or SPAC to change, withdraw, withhold or modify the SPAC Board Recommendation or any other recommendation by the SPAC Board or SPAC of the proposals set forth in the Registration Statement / Proxy Statement (a “SPAC Change in Recommendation”).

Section 5.9 Merger Sub Shareholder Approval. As promptly as reasonably practicable (and in any event within one (1) Business Day) following the date of this Agreement, the Company, as the sole shareholder of Merger Sub, will approve and adopt this Agreement, the Ancillary Documents to which Merger Sub is or will be a party and the transactions contemplated hereby and thereby (including the Merger).

Section 5.10 Conduct of Business of SPAC. From and after the date of this Agreement until the earlier of the Closing or the termination of this Agreement in accordance with its terms, SPAC shall, except as expressly contemplated by this Agreement or any Ancillary Document, as required by applicable Law, as set forth on Section 5.10 of the SPAC Disclosure Schedules, or as consented in writing by the Company (it being agreed that any request for a consent shall not be unreasonably withheld, conditioned, or delayed), use its commercially reasonable efforts to comply with and continue performing under SPAC’s Governing Documents, the Trust Agreement and all other agreements or Contracts to which SPAC may be a party. Without limiting the generality of the foregoing, from and after the date of this Agreement until the earlier of the Closing or the termination of this Agreement in accordance with its terms, SPAC shall not, except as expressly contemplated by this Agreement or any Ancillary Document, as required by applicable Law, as set forth on Section 5.10 of the SPAC Disclosure Schedules or as consented to in writing by the Company (such consent not to be unreasonably withheld, conditioned or delayed), do any of the following:

(a) adopt any amendments, supplements, restatements or modifications to the Trust Agreement, Warrant Agreement or the Governing Documents of SPAC;



(b) declare, set aside, make or pay a dividend on, or make any other distribution or payment (whether in cash, stock or property) in respect of, any Equity Securities of SPAC, or repurchase, redeem or otherwise acquire, or offer to repurchase, redeem or otherwise acquire, any outstanding Equity Securities of SPAC;

(c) (i) merge, consolidate, combine or amalgamate SPAC with any Person or (ii) purchase or otherwise acquire (whether by merging or consolidating with, purchasing any Equity Security in or a substantial portion of the assets of, or by any other manner) any corporation, partnership, association or other business entity or organization or division thereof;

(d) split, combine or reclassify any of its capital stock or other Equity Securities or issue any other security in respect of, in lieu of or in substitution for shares of its capital stock;

(e) incur, create, assume, refinance, guarantee or otherwise become liable for (whether directly, contingently, or otherwise) any Indebtedness or other Liability;

(f) make any loans or advances to, or capital contributions to, or guarantees for the benefit of, or any investment in, any other Person, other than to, of, or in, SPAC;

(g) issue any Equity Securities of SPAC or grant any additional options, warrants or stock appreciation rights with respect to Equity Securities of the foregoing of SPAC;

(h) enter into, renew, modify or revise any SPAC Related Party Transaction (or any Contract or agreement that if entered into prior to the execution and delivery of this Agreement would be a SPAC Related Party Transaction);

(i) engage in any activities or business, other than activities or business (i) in connection with or incident or related to SPAC's incorporation or continuing corporate (or similar) existence, (ii) contemplated by, or incident or related to, this Agreement, any Ancillary Document, the performance of covenants or agreements hereunder or thereunder or the consummation of the Transactions or (iii) those that are administrative or ministerial, in each case, which are immaterial in nature;

(j) except in the ordinary course of business, make, change or revoke any material election concerning Taxes (including, for the avoidance of doubt, making any U.S. federal income Tax entity classification election pursuant to Treasury Regulations Section 301.7701-3(c) with respect to SPAC), change or otherwise modify any material method of accounting as such relates to Taxes, amend any material Tax Return, surrender any right to claim a material refund of Taxes, enter into any Tax closing agreement, settle any Tax claim or assessment, change its jurisdiction of Tax residence, or consent to any extension or waiver of the limitation period applicable to or relating to any material Tax claim or assessment;

(k) enter into any settlement, conciliation or similar Contract that would require any payment from the Trust Account or that would impose non-monetary obligations on SPAC or any of its Affiliates (or the Company or any of its Subsidiaries after the Closing);

(l) authorize, recommend, propose or announce an intention to adopt, or otherwise effect, a plan of complete or partial liquidation, dissolution, restructuring, recapitalization, reorganization or similar transaction involving SPAC;

(m) change SPAC's methods of accounting in any material respect, other than changes that are made (i) in accordance with PCAOB standards or (ii) as required by any Securities Law or any Order, directive, guideline, recommendation, statement or guidance issued, passed, approved, published, promulgated or released by, the SEC, following reasonable prior consultation with the Company and, to the extent such change would adversely affect SPAC's ability to consummate the transactions contemplated by the Agreement, delay the consummation of the transactions contemplated by the Agreement or result in any material Liability, subject to the Company's prior written consent (not to be unreasonably withheld, conditioned or delayed);

(n) enter into any Contract with any broker, finder, investment banker or other Person under which such Person is or will be entitled to any brokerage fee, finders' fee or other commission in connection with the transactions contemplated by this Agreement;

(o) except for entries, modifications, amendments, waivers, terminations or non-renewals in the ordinary course of business, enter into, materially modify, materially amend, waive any material right under, terminate (excluding any expiration in accordance with its terms) or fail to renew, any Material Contract of the type described in Section 4.17 (excluding, for the avoidance of doubt, any expiration or automatic extension or renewal of any such Material Contract pursuant to its terms);

(p) enter into or adopt any SPAC Benefit Plan or any benefit or compensation plan, policy, program or arrangement that would be a SPAC Benefit Plan if in effect as of the date of this Agreement; or

(q) enter into any Contract to take, or cause to be taken, any of the actions set forth in this Section 5.10.

Notwithstanding anything in this Section 5.10 or this Agreement to the contrary, (i) nothing set forth in this Agreement shall give the Company, directly or indirectly, the right to control or direct the operations of SPAC and (ii) nothing set forth in this Agreement shall prohibit, or otherwise restrict the ability of, SPAC from using the funds held by SPAC outside the Trust Account to pay any SPAC Expenses or SPAC Liabilities or from otherwise distributing or paying over any funds held by SPAC outside the Trust Account to Sponsor or any of its Affiliates, in each case, prior to the Closing.

Section 5.11 NYSE Listing. The Company shall use commercially reasonable efforts to cause: (a) the Company's initial listing application with NYSE in connection with the transactions contemplated by this Agreement to have been approved; (b) the Company to satisfy all applicable initial listing requirements of NYSE; and (c) the Company Ordinary Shares and Company Warrants issuable in accordance with this Agreement, including the Merger, to be approved for listing on NYSE (and SPAC shall reasonably cooperate in connection therewith), subject to official notice of issuance, in each case, as promptly as reasonably practicable after the date of this Agreement, and in any event prior to the Effective Time. The Company shall pay all fees of NYSE, in connection with the application to list and the listing of Company Securities on NYSE.

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Section 5.12 Trust Account. Upon satisfaction or, to the extent permitted by applicable Law, waiver of the conditions set forth in ARTICLE IV and provision of notice thereof to the Trustee, (a) at the Closing, SPAC shall (i) cause the documents, certificates and notices required to be delivered to the Trustee pursuant to the Trust Agreement to be so delivered, and (ii) make all appropriate arrangements to cause the Trustee to (A) pay as and when due all amounts, if any, payable to the Public Shareholders of SPAC pursuant to the SPAC Stockholder Redemption, (B) pay the amounts due to the underwriters of the IPO for their deferred underwriting commissions as set forth in the Trust Agreement, (C) pay the amounts due to the Sponsor, directors and officers of SPAC as repayment of the Unpaid SPAC Liabilities, (D) pay the amounts due to third parties (e.g., professionals, printers, etc.) who have rendered services to SPAC in connection with its operations and efforts to effect the Transactions, and (E) immediately thereafter, pay all remaining amounts then available in the Trust Account to SPAC in accordance with the Trust Agreement, and (b) thereafter, the Trust Account shall terminate, except as otherwise provided therein.

Section 5.13 Transaction Support Agreements; Company Shareholder Approval and Company Shareholder Approval; Subscription Agreements.

(a) As promptly as reasonably practicable, SPAC shall deliver, or cause to be delivered, to the Company the Sponsor Letter Agreement duly executed by Sponsor.

(b) As promptly as reasonably practicable but in no event later than five (5) Business Days following the date that the SEC declares the Registration Statement effective, the Company shall establish the record date for, duly call and give notice of, a general meeting of the Company Shareholders (the "Company Shareholder Meeting"). Promptly thereafter, the Company shall convene and hold the Company Shareholder Meeting, in each case in accordance with the Governing Documents of the Company and the laws of the State of Israel, at which the Company Preferred Shareholders shall vote on the Company Preferred Shareholder Proposals and the Company Shareholders shall vote on the Company Shareholder Proposals. The Company may adjourn the Company Shareholder Meeting, if necessary, to permit further solicitation of approvals because there are not sufficient votes to approve and adopt the Company Preferred Shareholder Proposals or the Company Shareholder Proposals or because of the absence of a quorum.

(c) The Company may not modify or waive any provisions of a Subscription Agreement without the prior written consent of SPAC; provided that any modification or waiver that is solely ministerial in nature or otherwise immaterial and does not affect any economic or any other material term of a Subscription Agreement shall not require the prior written consent of SPAC.

(d) The Company may not amend, modify or waive any provisions of a Transaction Support Agreement without the prior written consent of SPAC, and SPAC may not amend, modify or waive any provisions of the Sponsor Letter Agreement without the prior written consent of the Company.

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Section 5.14 Indemnification; Directors' and Officers' Insurance.

(a) To the maximum extent permitted by applicable Law, all rights to indemnification or exculpation now existing in favor of the directors and officers of SPAC, as provided in the SPAC Governing Documents or otherwise in effect as of immediately prior to the Effective Time, in either case, solely with respect to any matters occurring on or prior to the Effective Time shall survive the Transactions and shall continue in full force and effect from and after the Effective Time for a period of six (6) years and the Company will perform and discharge, or cause to be performed and discharged, all obligations to provide such indemnity and exculpation during such six (6)-year period. To the maximum extent permitted by applicable Law, during such six (6)-year period, the Company shall advance, or caused to be advanced, expenses in connection with such indemnification as provided in the SPAC Governing Documents or other applicable agreements as in effect immediately prior to the Effective Time. The indemnification and liability limitation or exculpation provisions of the SPAC Governing Documents shall not, during such six (6)-year period, be amended, repealed or otherwise modified after the Effective Time in any manner that would materially and adversely affect the rights thereunder of individuals who, as of immediately prior to the Effective Time, or at any time prior to such time, were directors or officers of SPAC (the "D&O Persons") entitled to be so indemnified, their liability limited or be exculpated with respect to any matters occurring on or prior to the Effective Time and relating to the fact that such D&O Person was a director or officer of SPAC immediately prior to the Effective Time, unless such amendment, repeal or other modification is required by applicable Law.

(b) The Company shall not have any obligation under this Section 5.14 to any D&O Person when and if a court of competent jurisdiction shall ultimately determine (and such determination shall have become final and non-appealable) that the indemnification of such D&O Person in the manner contemplated hereby is prohibited by applicable Law.

(c) Prior to the Closing, SPAC shall purchase and shall maintain for a period of six (6) years after the Effective Time, a directors' and officers' liability insurance for the benefit of those Persons who are currently covered by any comparable insurance policies of SPAC as of the date of this Agreement with respect to matters occurring on or prior to the Effective Time (i.e., "tail coverage"). Such insurance policies shall provide coverage on terms (with respect to coverage and amount) that are substantially the same as (and no less favorable in the aggregate to the insured than) the coverage provided under SPAC's directors' and officers' liability insurance policies as of the date of this Agreement; provided that SPAC shall not be required to, and shall not without the Company's prior written consent, pay aggregate premiums in excess of three hundred percent (300%) of the most recent annual premium paid by SPAC prior to the date of this Agreement and, in such event, SPAC shall purchase the maximum coverage available for three hundred percent (300%) of the most recent aggregate premium paid by SPAC prior to the date of this Agreement.

(d) If the Surviving Company or any of its successors or assigns (i) shall merge or consolidate with or merge into any other corporation or entity and shall not be the surviving or continuing corporation or entity of such consolidation or merger or (ii) shall transfer all or substantially all of their respective properties and assets as an entity in one or a series of related transactions to any Person, then in each such case, proper provisions shall be made so that the successors or assigns of the Surviving Company shall assume all of the obligations set forth in this Section 5.14.

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(e) The D&O Persons entitled to the indemnification, liability limitation, exculpation and insurance set forth in this Section 5.14 are intended to be third-party beneficiaries of this Section 5.14. This Section 5.14 shall survive the consummation of the transactions contemplated by this Agreement and shall be binding on all successors and assigns of the Surviving Company.

Section 5.15 Post-Closing Officers. The officers of the Company immediately prior to the Effective Time shall be the officers of the Company immediately following the Effective Time.

Section 5.16 Financial Statements.

(a) As promptly as reasonably practicable (but in no event later than June 24, 2021 (or, if later, the date that the Registration Statement / Proxy Statement is filed with the SEC)), the Company shall deliver to SPAC (i) the audited consolidated balance sheets of the Group Companies as of December 31, 2019 and December 31, 2020 and the related audited statements of operations, changes in shareholders' equity and cash flows of the Group Companies for each of the periods then ended, audited in accordance with the standards of the PCAOB and containing an unqualified report of the Company's auditors and (ii) the unaudited consolidated balance sheet and the related statements of operations, changes in shareholders' equity and cash flows of the Group Companies as of and for a year-to-date period ended as of the end of a different fiscal quarter that is required to be included in the Registration Statement / Proxy Statement to be made by the Company and/or SPAC with the SEC in connection with the Transactions (collectively, the "Required Company Financial Statements").

(b) The Company shall use its commercially reasonable efforts (i) to assist, upon advance written notice, during normal business hours and in a manner such as to not unreasonably interfere with the normal operation of any member of such Group Company, SPAC in causing to be prepared in a timely manner any other financial information or statements (including customary pro forma financial statements) that are required to be included in the Registration Statement / Proxy Statement to be made by the Company with the SEC in connection with the Transactions and (ii) to obtain the consents of its auditors with respect thereto as may be required by applicable Law or requested by the SEC.

(c) As promptly as reasonably practicable (but in no event later than June 17, 2021), SPAC shall file with the SEC (i) an amended Annual Report on Form 10-K that complies in all material respects with the SEC's rules and regulations (including the SEC SPAC Warrant Statement) and contains restated audited balance sheets of SPAC as of December 31, 2019 and 2020 and the related audited statements of operations, stockholders' equity and cash flows of the SPAC for the year ended December 31, 2020 and the period from August 19, 2019 (inception) through December 31, 2019, audited in accordance with the standards of the PCAOB and containing a report of SPAC's auditors and (ii) a Quarterly Report on Form 10-Q for the period ended March 31, 2021 that complies in all material respects with the SEC's rules and regulations (including the SEC SPAC Warrant Statement) and contains the unaudited balance sheet and the related statements of operations, changes in stockholders' equity and cash flows of SPAC as of and for the year-to-date period ended March 31, 2021 and the comparable period in the prior year.

(d) SPAC shall use its commercially reasonable efforts (i) to assist, upon advance written notice, during normal business hours and in a manner such as to not unreasonably interfere with the normal operation of SPAC, the Company in causing to be prepared in a timely manner any other financial information or statements (including customary pro forma financial statements) that are required to be included in the Registration Statement / Proxy Statement to be made by the Company with the SEC in connection with the Transactions and (ii) to obtain the consents of its auditors with respect thereto as may be required by applicable Law or requested by the SEC.

Section 5.17 Company Incentive Equity Plan / Employee Share Purchase Plan / Cash Bonus.

(a) Prior to the effectiveness of the Registration Statement / Proxy Statement, the Company shall approve and adopt an equity incentive plan (the "Company Incentive Equity Plan"), in the manner prescribed under applicable Laws, effective as of one (1) day prior to the Closing Date, initially reserving a number of Company Ordinary Shares for grant thereunder (exclusive of the number of Company Ordinary Shares subject to outstanding Company Equity Awards as of such date of approval) equal to six percent (6%) of the total number of Company Ordinary Shares on a fully diluted basis immediately following the Effective Time (including as a result of the PIPE Financing) *plus* an additional fixed amount of 370,000 Company Ordinary Shares. The Company Incentive Equity Plan will provide for customary annual increases to such share reserve such that no less than five percent (5%) of the total number of Company Ordinary Shares on a fully diluted basis would be reserved and available for grant under the Company Incentive Equity Plan.

(b) Prior to the effectiveness of the Registration Statement / Proxy Statement, the Company shall approve and adopt an employee share purchase plan (the "Employee Share Purchase Plan"), in the manner prescribed under applicable Laws, effective as of one (1) day prior to the Closing Date, initially reserving a number of Company Ordinary Shares for issuance to employees of the Company equal to one percent (1%) of the total number of Company Ordinary Shares on a fully diluted basis immediately following the Effective Time (including as a result of the PIPE Financing). The Employee Share Purchase Plan will provide for customary annual increases to such share reserve such that no less than one percent (1%) of the total number of Company Ordinary Shares on a fully diluted basis would be reserved and available for grant under the Employee Share Purchase Plan.

(c) The Company shall file with the SEC a registration statement on Form S-8 (or any successor form or comparable form in another relevant jurisdiction) relating to Company Ordinary Shares issuable pursuant to the Company Incentive Equity Plan and Employee Share Purchase Plan. Such registration statement shall be filed as soon as reasonably practicable after registration of shares on Form S-8 (or any successor form or comparable form in another relevant jurisdiction) first becomes available to the Company, and the Company shall use commercially reasonable efforts to maintain the effectiveness of such registration statement for so long as any awards issued under the Company Incentive Equity Plan or any Ordinary Shares issued under the Employee Share Purchase Plan remain outstanding.

(d) Without prejudice to the foregoing provisions in this Section 5.17, the Company shall grant to the individuals listed on Section 5.17(d) of the Company Disclosure Schedules a certain amount of cash bonuses at the Closing, with the recipients, the aggregate amount and the amounts allocated among all recipients of such cash bonus to be determined in good faith by the Company Board (in each case, subject to applicable Tax withholding requirements) prior to the Closing; provided that the aggregate amount of such cash bonuses shall not exceed \$2,000,000.

Section 5.18 No Use of SPAC Name.

The Company shall have no right or expectancy in or to the name “PTK Acquisition Corp.” or any derivation thereof, the trading symbols “PTK”, “PTK-WT”, “PTK-UN”, SPAC’s internet domain name, any other name or logo of SPAC or any of its Affiliates, or the Intellectual Property Rights therein (it being understood that nothing in this Agreement shall prevent any of the Group Companies from making any fair use of any such names, symbols or logos in accordance with applicable Law).

Section 5.19 Company Warrant Agreement. Immediately prior to the Effective Time, (a) the Company, SPAC, and the Exchange Agent shall enter into an assignment and assumption agreement pursuant to which SPAC will assign to the Company all of its rights, interests, and obligations in and under the Warrant Agreement and (b) the Company and the Exchange Agent shall enter into the Company Warrant Agreement which, among other things, (i) reflects the changes to convert the SPAC Warrants into Company Warrants as set forth in Section 2.3(c) and (ii) provides that the Company Warrants issued upon exchange of the SPAC Warrants held by the Sponsor are not redeemable and are exercisable for cash or on a cashless basis, at the holder’s option, so long as they are held by the Sponsor or its permitted transferees.

Section 5.20 Termination of Company Investor Agreements.

Prior to the Closing, the Company shall terminate each Company Investor Agreement set forth on Section 5.20 of the Company Disclosure Schedules (excluding the Transaction Support Agreements) without any liability being imposed on the part of SPAC, any Group Company, or Merger Sub; provided that, for the avoidance of doubt, the Investor Rights Agreement shall be amended and restated in the form of the Registration Rights Agreement.

Section 5.21 Continued Listing. SPAC shall maintain its listing on NYSE through the Effective Time.

Section 5.22 Employee Termination. Unless otherwise agreed in writing by the Company, prior to the Closing SPAC shall terminate the employment of its employees without any ongoing Liability to SPAC or any of its Affiliates (including the Company and its Subsidiaries).

**ARTICLE VI.**  
**CONDITIONS TO CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT**

Section 6.1 Conditions to the Obligations of the Parties. The obligations of the Parties to consummate the transactions contemplated by this Agreement are subject to the satisfaction or waiver, if permitted by applicable Law, in writing by the Party for whose benefit such condition exists of the following conditions:

(a) there shall not have been entered, enacted or promulgated any Law or Order enjoining or prohibiting the consummation of the transactions contemplated by this Agreement;

(b) the Registration Statement / Proxy Statement shall have become effective in accordance with the provisions of the Securities Act, no stop order suspending the effectiveness of the Registration Statement / Proxy Statement shall have been issued by the SEC and shall remain in effect with respect to the Registration Statement / Proxy Statement, and no Proceeding seeking such a stop order shall have been threatened or initiated by the SEC and remain pending;

(c) the Company Preferred Shareholder Approval and the Company Shareholder Approval shall have been obtained;

(d) the SPAC Stockholder Approval shall have been obtained;

(e) after giving effect to the transactions contemplated hereby, SPAC shall have at least \$5,000,001 of net tangible assets (as determined in accordance with Rule 3a51-1(g)(1) of the Exchange Act) immediately after the Offer;

(f) the Company's initial listing application with NYSE in connection with the transactions contemplated by this Agreement shall have been approved and the Company shall not have received any notice of non-compliance therewith that has not been cured or would not be cured at or immediately following the Effective Time, and the Company Shares (including, for the avoidance of doubt, the Company Ordinary Shares to be issued pursuant to the Merger) shall have been approved for listing on NYSE, subject only to official notice of issuance thereof and the requirement to have a sufficient number of round lot holders;

(g) the Company Board shall consist of the number of directors, and be comprised of the individuals, determined pursuant to Section 2.2(f); and

(h) any required notice and approval to and by the Israeli Innovation Authority (the "IIA") in accordance with the IIA Law (as defined below) with respect to the transactions contemplated hereby, have been filed and obtained;

Section 6.2 Other Conditions to the Obligations of SPAC. The obligations of SPAC to consummate the transactions contemplated by this Agreement are subject to the satisfaction or waiver, if permitted by applicable Law, in writing by SPAC of the following further conditions:

(a) (i) the Company Fundamental Representations (other than the representations and warranties set forth in Section 3.2(a)) shall be true and correct in all material respects as of the Closing Date, as though made on and as of the Closing Date (except to the extent that any such representation and warranty is made as of an earlier date, in which case such representation and warranty shall be true and correct in all material respects as of such earlier date), (ii) the representations and warranties set forth in Section 3.2(a) shall be true and correct in all respects (except for *de minimis* inaccuracies) as of the Closing Date, as though made on and as of the Closing Date (except to the extent that any such representation and warranty is made as of an earlier date, in which case such representation and warranty shall be true and correct in all respects (except for *de minimis* inaccuracies) as of such earlier date), and (iii) the representations and warranties of the Company Parties set forth in ARTICLE III (other than the Company Fundamental



Representations) shall be true and correct (without giving effect to any limitation as to “materiality” or “Company Material Adverse Effect” or any similar limitation set forth herein) in all respects as of the Closing Date, as though made on and as of the Closing Date (except to the extent that any such representation and warranty is made as of an earlier date, in which case such representation and warranty shall be true and correct in all respects as of such earlier date), except where the failure of such representations and warranties to be true and correct, taken as a whole, does not cause a Company Material Adverse Effect;

(b) the Company shall have performed and complied in all material respects with the covenants and agreements required to be performed or complied with by the Company under this Agreement at or prior to the Closing;

(c) since the date of this Agreement, no Company Material Adverse Effect has occurred that is continuing;

(d) at or prior to the Closing, the Company shall have delivered, or caused to be delivered, to SPAC a certificate duly executed by an authorized officer of the Company, dated as of the Closing Date, to the effect that the conditions specified in Section 6.2(a), Section 6.2(b) and Section 6.2(c) are satisfied, in a form and substance reasonably satisfactory to SPAC;

(e) SPAC shall have received a certificate of the secretary or equivalent officer of each of the Company Parties certifying that attached thereto are true and complete copies of all resolutions adopted by the board of directors or equivalent body of each of the Company Parties authorizing the execution, delivery, and performance of this Agreement and the Transactions, and that all such resolutions are in full force and effect and are all of the resolutions adopted in connection with the Transactions; and

(f) each Ancillary Document (other than the Subscription Agreements) shall have been executed and delivered by the parties thereto (other than SPAC and Sponsor).

Section 6.3 Other Conditions to the Obligations of the Company Parties. The obligations of the Company Parties to consummate the transactions contemplated by this Agreement are subject to the satisfaction or waiver, if permitted by applicable Law, in writing by the Company (on behalf of itself and Merger Sub) of the following further conditions:

(a) (i) the SPAC Fundamental Representations (other than the representations and warranties set forth in Section 4.6(a)) shall be true and correct in all material respects as of the Closing Date, as though made on and as of the Closing Date (except to the extent that any such representation and warranty is made as of an earlier date, in which case such representation and warranty shall be true and correct in all material respects as of such earlier date), (ii) the representations and warranties set forth in Section 4.6(a) shall be true and correct in all respects (except for *de minimis* inaccuracies) as of the Closing Date, as though made on and as of the Closing Date (except to the extent that any such representation and warranty is made as of an earlier date, in which case such representation and warranty shall be true and correct in all respects (except for *de minimis* inaccuracies) as of such earlier date) and (iii) the representations and warranties of SPAC set forth in ARTICLE IV (other than the SPAC Fundamental Representations) shall be true and correct (without giving effect to any limitation as to “materiality” or “material

adverse effect” or any similar limitation set forth herein) in all respects as of the Closing Date, as though made on and as of the Closing Date (except to the extent that any such representation and warranty is made as of an earlier date, in which case such representation and warranty shall be true and correct in all respects as of such earlier date), except where the failure of such representations and warranties to be true and correct, taken as a whole, does not cause a material adverse effect on SPAC;

(b) SPAC shall have performed and complied in all material respects with the covenants and agreements required to be performed or complied with by SPAC under this Agreement at or prior to the Closing;

(c) the Aggregate Transaction Proceeds shall be equal to or greater than \$215,000,000 (before the payment of: (a) Company Expenses and (b) SPAC Expenses).

(d) the Company shall have received a certificate of the secretary or equivalent officer of SPAC certifying that attached thereto are true and complete copies of all resolutions adopted by the board of directors of SPAC authorizing the execution, delivery, and performance of this Agreement and the Transactions, and that all such resolutions are in full force and effect and are all of the resolutions of the board of directors of SPAC adopted in connection with the Transactions;

(e) at or prior to the Closing, SPAC shall have delivered, or caused to be delivered, to the Company a certificate duly executed by an authorized officer of SPAC, dated as of the Closing Date, to the effect that the conditions specified in Section 6.3(a) and Section 6.3(b) are satisfied, in a form and substance reasonably satisfactory to the Company;

(f) each Ancillary Document (other than the Subscription Agreements) shall have been executed and delivered by SPAC and Sponsor; and

(g) the Company shall have received from the Subscribers and the holders of SPAC Shares any undertakings of such Persons that the Company has reasonably determined are required pursuant to The Encouragement of Research, Development and Technological Innovation in the Industry Law, 5744-1984 and the rules and regulations promulgated thereunder (collectively, the “IIA Law”), in the form and substance prescribed under the IIA Law (the “IIA Undertaking”).

## **ARTICLE VII. TERMINATION**

Section 7.1 Termination. This Agreement may be terminated and the transactions contemplated by this Agreement may be abandoned at any time prior to the Closing:

(a) by mutual written consent of SPAC and the Company;

(b) by SPAC, if any of the representations or warranties set forth in ARTICLE III shall not be true and correct or if either Company Party has breached or failed to perform any covenant or agreement on the part of the Company set forth in this Agreement (including an obligation to consummate the Closing) such that the condition to Closing set forth in either Section 6.2(a) or Section 6.2(b) could not be satisfied and the breach or breaches causing such representations or

warranties not to be true and correct, or the breaches or failures to perform any covenant or agreement, as applicable, is (or are) not cured or cannot be cured within the earlier of (i) thirty (30) days after written notice thereof is delivered to the Company by SPAC, and (ii) the Termination Date; provided, however, that SPAC is not then in breach of this Agreement so as to prevent the condition to Closing set forth in either Section 6.3(a) or Section 6.3(b) from being satisfied; provided, further, that SPAC may only terminate this Agreement pursuant to a breach or failure by the Company to perform its obligations under Section 5.16(a) before the Company delivers the Required Company Financial Statements to SPAC;

(c) by the Company, if any of the representations or warranties set forth in ARTICLE IV shall not be true and correct or if SPAC has breached or failed to perform any covenant or agreement on the part of SPAC set forth in this Agreement (including an obligation to consummate the Closing) such that the condition to Closing set forth in either Section 6.3(a) or Section 6.3(b) could not be satisfied and the breach or breaches causing such representations or warranties not to be true and correct, or the breaches or failures to perform any covenant or agreement, as applicable, is (or are) not cured or cannot be cured within the earlier of (i) thirty (30) days after written notice thereof is delivered to SPAC by the Company and (ii) the Termination Date; provided, however, neither Company Party is then in breach of this Agreement so as to prevent the condition to Closing set forth in Section 6.2(a) or Section 6.2(b) from being satisfied;

(d) by either SPAC or the Company, if the transactions contemplated by this Agreement shall not have been consummated on or prior to November 30, 2021 (the "Termination Date"); provided, that (i) the right to terminate this Agreement pursuant to this Section 7.1(d) shall not be available to SPAC if SPAC's breach of any of its covenants or obligations under this Agreement shall have proximately caused the failure to consummate the transactions contemplated by this Agreement on or before the Termination Date, and (ii) the right to terminate this Agreement pursuant to this Section 7.1(d) shall not be available to the Company if either Company Party's breach of its covenants or obligations under this Agreement shall have proximately caused the failure to consummate the transactions contemplated by this Agreement on or before the Termination Date;

(e) by either SPAC or the Company, if any Governmental Entity shall have issued an Order, promulgated a Law or taken any other action permanently enjoining, restraining or otherwise prohibiting the transactions contemplated by this Agreement and such Order or other action shall have become final and nonappealable; provided, that (i) the right to terminate this Agreement under this Section 7.1(e) shall not be available to SPAC if (A) SPAC's failure to fulfill any obligation under this Agreement has been the primary cause of, or primarily resulted in, the failure of the Closing to occur on or before such date or (B) SPAC is in material breach of its obligations under this Agreement on such date and (ii) the right to terminate this Agreement under this Section 7.1(e) shall not be available to the Company if (A) a Company Party's failure to fulfill any obligation under this Agreement has been the primary cause of, or primarily resulted in, the failure of the Closing to occur on before such date or (B) the Company is in material breach of its obligations under this Agreement on such date;

(f) by either SPAC or the Company if the SPAC Stockholders Meeting has been held (including any adjournment thereof), has concluded, SPAC Stockholders have duly voted and the SPAC Stockholder Approval was not obtained;

(g) by the Company, if: (i) at any time before the SPAC Stockholders shall have duly voted at a SPAC Stockholders Meeting, if the SPAC Stockholders shall have not duly voted at a SPAC Stockholders Meeting that shall have been held and concluded within the later of: (A) thirty (30) Business Days after the date that the SEC declares the Registration Statement effective; and (B) the Requested Date; or (ii) at any time before the SPAC Stockholder Approval is obtained, if the SPAC Stockholder Approval shall have not been obtained within the later of: (A) thirty (30) Business Days after the date that the SEC declares the Registration Statement effective; and (B) the Requested Date;

(h) by the Company if, prior to obtaining the SPAC Stockholder Approval, the SPAC Board (i) shall have made a SPAC Change in Recommendation or (ii) shall have failed to include the SPAC Board Recommendation in the Registration Statement / Proxy Statement distributed to SPAC Stockholders; or

(i) by SPAC if: (i) at any time before the Company Shareholders shall have duly voted at a Company Shareholder Meeting, if the Company Shareholders shall have not duly voted at a Company Shareholder Meeting that shall have been held (including any adjournment thereof) and concluded within eighteen (18) calendar days after the date that the SEC declares the Registration Statement effective; or (ii) at any time before each of the Company Preferred Shareholder Approval and the Company Shareholder Approval are obtained, if either the Company Preferred Shareholder Approval or the Company Shareholder Approval shall have not been obtained within eighteen (18) calendar days after the date that the SEC declares the Registration Statement effective.

Section 7.2 Effect of Termination. In the event of the termination of this Agreement pursuant to Section 7.1, this entire Agreement shall forthwith become void (and there shall be no Liability or obligation on the part of the Parties and their respective Non-Party Affiliates) with the exception of (a) the confidentiality obligation set forth in Section 5.3(a), this Section 7.1(h), ARTICLE I and ARTICLE VIII (to the extent related to the foregoing), each of which shall survive such termination and remain valid and binding obligations of the Parties and (b) the Confidentiality Agreement, which shall survive such termination and remain valid and binding obligations of the parties thereto in accordance with their respective terms. Notwithstanding the foregoing or anything to the contrary herein, the termination of this Agreement pursuant to Section 7.1 shall not affect (i) any Liability on the part of any Party for any Willful Breach of any covenant or agreement set forth in this Agreement prior to such termination or Fraud or (ii) any Person's Liability under any Subscription Agreement, the Confidentiality Agreement, any Transaction Support Agreement or the Sponsor Letter Agreement to which he, she or it is a party to the extent arising from a claim against such Person by another Person party to such agreement on the terms and subject to the conditions thereunder.

#### **ARTICLE VIII. MISCELLANEOUS**

Section 8.1 Non-Survival. Other than those representations, warranties and covenants set forth in, Section 3.26 and Section 4.24, each of which shall survive following the Effective Time, or as otherwise provided in the last sentence of this Section 8.1, each of the representations and warranties, and each of the agreements and covenants (to the extent such agreement or

covenant contemplates or requires performance at or prior to the Effective Time), of the Parties set forth in this Agreement, shall terminate at the Effective Time, such that no claim for breach of any such representation, warranty, agreement or covenant, detrimental reliance or other right or remedy (whether in contract, in tort, at law, in equity or otherwise) may be brought with respect thereto after the Effective Time against any Party, any Company Non-Party Affiliate or any SPAC Non-Party Affiliate. Each covenant and agreement contained herein that, by its terms, expressly contemplates performance after the Effective Time shall so survive the Effective Time in accordance with its terms, and each covenant and agreement contained in any Ancillary Document that, by its terms, expressly contemplates performance after the Effective Time shall so survive the Effective Time in accordance with its terms and any other provision in any Ancillary Document that expressly survives the Effective Time shall so survive the Effective Time in accordance with the terms of such Ancillary Document.

Section 8.2 Entire Agreement; Assignment. This Agreement (together with the Ancillary Documents), the Confidentiality Agreement, and any other documents, instruments and certificates explicitly referred to herein, constitute the entire agreement among the Parties with respect to the subject matter hereof and supersedes all other prior agreements and understandings, both written and oral, among the Parties or any of their respective Subsidiaries with respect to the subject matter hereof. No representations, warranties, covenants, understandings, agreements, oral or otherwise, with respect to the subject matter contemplated by this Agreement exist between the Parties, except as expressly set forth or referenced in this Agreement and the Confidentiality Agreement. No Party shall assign, delegate or otherwise transfer this Agreement or any part hereof without the prior written consent of the other Parties. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective permitted successors and assigns. Any attempted assignment in violation of the terms of this Section 8.2 shall be null and void, *ab initio*.

Section 8.3 Amendment. This Agreement may be amended or modified in whole or in part, only by a duly authorized agreement in writing executed by each of the Parties in the same manner as this Agreement and which makes reference to this Agreement. This Agreement may not be modified or amended except as provided in the immediately preceding sentence and any purported amendment by any Party or Parties effected in a manner which does not comply with this Section 8.3 shall be null and void, *ab initio*.

Section 8.4 Notices. All notices, requests, claims, demands and other communications among the Parties shall be in writing and shall be deemed to have been duly given (i) when delivered in person, (ii) when delivered after posting in the United States mail having been sent registered or certified mail return receipt requested, postage prepaid, (iii) when delivered by FedEx or other nationally recognized overnight delivery service or (iv) when e-mailed during normal business hours (and otherwise as of the immediately following Business Day), addressed as follows:

(a) If to SPAC, to:

PTK Acquisition Corp.  
4601 Wilshire Boulevard  
Suite 240  
Los Angeles, California 90010  
Attention: Peter Kuo  
Email: peterkuo@ptktech.com

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with copies (which shall not constitute notice) to:

Goodwin Procter LLP / Goodwin Procter (Hong Kong) LLP  
100 Northern Avenue  
Boston, MA 02210  
Attention: Douglas Freeman / Jocelyn M. Arel / Chi Pan / Daniel J.  
Espinoza  
E-mail: DFreeman@goodwinlaw.com / jarel@goodwinlaw.com /  
ChiPan@goodwinlaw.com / despinoza@goodwinlaw.com

Goldfarb Seligman & Co.  
Ampa Tower  
98 Yigal Alon Street  
Tel Aviv 6789141, Israel  
Attention: Aaron M. Lampert  
E-mail: aaron.lampert@goldfarb.com

(b) If to the Company, to:

Valens Semiconductor Ltd.  
8 Hanagar Street  
POB 7152  
Hod Hasharon, 45011309  
Israel  
Attention: General Counsel  
Email: keren.shmuelisidi@valens.com

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

Davis Polk & Wardwell LLP  
450 Lexington Avenue  
New York NY 10017  
Attention: Brian Wolfe  
Michael Kaplan  
Email: brian.wolfe@davispolk.com  
michael.kaplan@davispolk.com

and

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Meitar | Law Offices  
16 Abba Hillel Road  
Ramat Gan 52506, Israel  
Attention: Alon Sahar  
Assaf Naveh  
Tali Lungin

Email: asahar@meitar.com  
assafn@meitar.com  
talil@meitar.com

or to such other address as the Party to whom notice is given may have previously furnished to the others in writing in the manner set forth above.

Section 8.5 Governing Law. This Agreement, and all claims or causes of action based upon, arising out of, or related to this Agreement or the Transactions, shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the law of any jurisdiction other than the State of Delaware.

Section 8.6 Fees and Expenses. Except as otherwise set forth in this Agreement, all fees and expenses incurred in connection with this Agreement, the Ancillary Documents and the Transactions, including the fees and disbursements of counsel, financial advisors and accountants, shall be paid by the Party incurring such fees or expenses; provided that, for the avoidance of doubt, (a) if this Agreement is terminated in accordance with its terms, the Company shall pay, or cause to be paid, all Unpaid Company Expenses and SPAC shall pay, or cause to be paid, all Unpaid SPAC Expenses and (b) if the Closing occurs, then the Company shall pay, or cause to be paid, all Unpaid Company Expenses and all Unpaid SPAC Expenses.

Section 8.7 Construction: Interpretation. The term “this Agreement” means this Business Combination Agreement together with the Schedules and Exhibits hereto, as the same may from time to time be amended, modified, supplemented or restated in accordance with the terms hereof. The headings set forth in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement. No Party, nor their respective counsels, shall be deemed the drafter of this Agreement for purposes of construing the provisions hereof, and all provisions of this Agreement shall be construed according to their fair meaning and not strictly for or against any Party. Unless otherwise indicated to the contrary herein by the context or use thereof: (a) the words, “herein,” “hereto,” “hereof” and words of similar import refer to this Agreement as a whole, including the Schedules and Exhibits, and not to any particular section, subsection, paragraph, subparagraph or clause set forth in this Agreement; (b) masculine gender shall also include the feminine and neutral genders, and vice versa; (c) words importing the singular shall also include the plural, and vice versa; (d) the words “include,” “includes” or “including” shall be deemed to be followed by the words “without limitation”; (e) references to “\$” or “dollar” or “US\$” shall be references to United States dollars; (f) the word “or” is disjunctive but not necessarily exclusive; (g) the words “writing,” “written” and comparable terms refer to printing, typing and other means of reproducing words (including electronic media)

in a visible form; (h) the word “day” means calendar day unless Business Day is expressly specified; (i) the word “extent” in the phrase “to the extent” means the degree to which a subject or other thing extends, and such phrase shall not mean simply “if”; (j) all references to Articles, Sections, Exhibits or Schedules are to Articles, Sections, Exhibits and Schedules of this Agreement; (k) the words “provided” or “made available” or words of similar import (regardless of whether capitalized or not) shall mean, when used with reference to documents or other materials required to be provided or made available to SPAC, any documents or other materials posted to the electronic data room located at valens.securedocs.com under the project name “DR” as of 5:00 p.m., Eastern Time, at least one (1) day prior to the date of this Agreement; (l) all references to any Law will be to such Law as amended, supplemented or otherwise modified or re-enacted from time to time; and (m) all references to any Contract are to that Contract as amended or modified from time to time in accordance with the terms thereof. If any action under this Agreement is required to be done or taken on a day that is not a Business Day, then such action shall be required to be done or taken not on such day but on the first succeeding Business Day thereafter.

Section 8.8 Exhibits and Schedules. All Exhibits and Schedules, or documents expressly incorporated into this Agreement, are hereby incorporated into this Agreement and are hereby made a part hereof as if set out in full in this Agreement. The Schedules shall be arranged in sections and subsections corresponding to the numbered and lettered Sections and subsections set forth in this Agreement. Any item disclosed in the Company Disclosure Schedules or in the SPAC Disclosure Schedules corresponding to any Section or subsection of ARTICLE III (in the case of the Company Disclosure Schedules) or ARTICLE IV (in the case of the SPAC Disclosure Schedules) shall be deemed to have been disclosed with respect to every other section and subsection of ARTICLE III (in the case of the Company Disclosure Schedules) or ARTICLE IV (in the case of the SPAC Disclosure Schedules), as applicable, where the relevance of such disclosure to such other Section or subsection is reasonably apparent on the face of the disclosure. The information and disclosures set forth in the Schedules that correspond to the section or subsections of ARTICLE III or ARTICLE IV may not be limited to matters required to be disclosed in the Schedules, and any such additional information or disclosure is for informational purposes only and does not necessarily include other matters of a similar nature.

Section 8.9 Parties in Interest. This Agreement shall be binding upon and inure solely to the benefit of each Party and their respective successors and permitted assigns and, except as provided in Section 5.14 and the two subsequent sentences of this Section 8.9, nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement. Sponsor shall be an express third-party beneficiary of Section 8.2, Section 8.3, Section 8.14 and this Section 8.9 (to the extent related to the foregoing). Each of the Non-Party Affiliates shall be an express third-party beneficiary of Section 8.13 and this Section 8.9 (to the extent related to the foregoing).

Section 8.10 Severability. Whenever possible, each provision of this Agreement will be interpreted in such a manner as to be effective and valid under applicable Law, but if any term or other provision of this Agreement is held to be invalid, illegal or unenforceable under applicable Law, all other provisions of this Agreement shall remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon such determination that any term or other provision of this Agreement is invalid, illegal or unenforceable under applicable Law, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.



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Section 8.11 Counterparts: Electronic Signatures. This Agreement and each Ancillary Document (including any of the closing deliverables contemplated hereby) may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement or any Ancillary Document (including any of the closing deliverables contemplated hereby) by electronic means, including docusign, e-mail, or scanned pages shall be effective as delivery of a manually executed counterpart to this Agreement or any such Ancillary Document.

Section 8.12 Knowledge of Company; Knowledge of SPAC. For all purposes of this Agreement, the phrase “to the Company’s knowledge” and “known by the Company” and any derivations thereof shall mean as of the applicable date, the actual knowledge of the individuals set forth on Section 8.12(a) of the Company Disclosure Schedules, after conducting reasonable and due inquiry. For all purposes of this Agreement, the phrase “to SPAC’s knowledge” and “to the knowledge of SPAC” and any derivations thereof shall mean as of the applicable date, the actual knowledge of the individuals set forth on Section 8.12(b) of the SPAC Disclosure Schedules, after conducting reasonable due inquiry. For the avoidance of doubt, none of the individuals set forth on Section 8.12(a) of the Company Disclosure Schedules or Section 8.12(b) of the SPAC Disclosure Schedules shall have any personal Liability or obligations regarding such knowledge.

Section 8.13 No Recourse. Except for claims pursuant to any Ancillary Document by any party(ies) thereto against any Company Non-Party Affiliate or any SPAC Non-Party Affiliate (each, a “Non-Party Affiliate”), and then solely with respect to claims against the Non-Party Affiliates that are party to the applicable Ancillary Document, each Party agrees on behalf of itself and on behalf of the Company Non-Party Affiliates, in the case of the Company, and the SPAC Non-Party Affiliates, in the case of SPAC, that, absent any Fraud, (a) this Agreement may only be enforced against, and any action for breach of this Agreement may only be made against, the Parties, and no claims of any nature whatsoever arising under or relating to this Agreement, the negotiation hereof or its subject matter, or the transactions contemplated hereby shall be asserted against any Non-Party Affiliate, and (b) none of the Non-Party Affiliates shall have any Liability arising out of or relating to this Agreement, the negotiation hereof or its subject matter, or the transactions contemplated hereby, including with respect to any claim (whether in tort, contract or otherwise) for breach of this Agreement or in respect of any written or oral representations made or alleged to be made in connection herewith, as expressly provided herein, or for any actual or alleged inaccuracies, misstatements or omissions with respect to any information or materials of any kind furnished by the Company, SPAC or any Non-Party Affiliate concerning any Group Company, SPAC, this Agreement or the transactions contemplated hereby.

Section 8.14 Extension: Waiver. The Company prior to the Closing and the Company and Sponsor after the Closing may (a) extend the time for the performance of any of the obligations or other acts of SPAC set forth herein, (b) waive any inaccuracies in the representations and warranties of SPAC set forth herein or (c) waive compliance by SPAC with any of the agreements or conditions set forth herein. SPAC may (i) extend the time for the performance of any of the obligations or other acts of the Company, set forth herein, (ii) waive any inaccuracies in the representations and warranties of the Company set forth herein or (iii) waive compliance by the Company with any of the agreements or conditions set forth herein. Any agreement on the part of any such Party to any such extension or waiver shall be valid only if set forth in a written instrument signed on behalf of such Party. Any waiver of any term or condition shall not be construed as a waiver of any subsequent breach or a subsequent waiver of the same term or condition, or a waiver of any other term or condition of this Agreement. The failure of any Party to assert any of its rights hereunder shall not constitute a waiver of such rights.

Section 8.15 Waiver of Jury Trial. THE PARTIES EACH HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO TRIAL BY JURY OF ANY PROCEEDING, CLAIM, DEMAND, ACTION, OR CAUSE OF ACTION (I) ARISING UNDER THIS AGREEMENT OR UNDER ANY ANCILLARY DOCUMENT OR (II) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES IN RESPECT OF THIS AGREEMENT OR ANY ANCILLARY DOCUMENT OR ANY OF THE TRANSACTIONS RELATED HERETO OR THERETO OR ANY FINANCING IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED HEREBY OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREBY, IN EACH CASE, WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY, OR OTHERWISE. THE PARTIES EACH HEREBY AGREES AND CONSENTS THAT ANY SUCH PROCEEDING, CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT THE PARTIES MAY FILE AN ORIGINAL COUNTERPART OF A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH SUCH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH SUCH PARTY MAKES THIS WAIVER VOLUNTARILY AND (D) EACH SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 8.15.

Section 8.16 Submission to Jurisdiction. Each of the Parties irrevocably and unconditionally submits to the exclusive jurisdiction of the Chancery Court of the State of Delaware (or, if the Chancery Court of the State of Delaware declines to accept jurisdiction, any state or federal court sitting Wilmington, Delaware or any appellate court therefrom), for the purposes of any Proceeding, claim, demand, action or cause of action (a) arising under this Agreement or under any Ancillary Document or (b) in any way connected with or related or incidental to the dealings of the Parties in respect of this Agreement or any Ancillary Document or any of the Transactions, and irrevocably and unconditionally waives any objection to the laying of venue of any such Proceeding in any such court, and further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such Proceeding has been brought in an inconvenient forum. Each Party hereby irrevocably and unconditionally waives, and

agrees not to assert, by way of motion or as a defense, counterclaim or otherwise, in any Proceeding claim, demand, action or cause of action against such Party (i) arising under this Agreement or under any Ancillary Document or (ii) in any way connected with or related or incidental to the dealings of the Parties in respect of this Agreement or any Ancillary Document or any of the Transactions, (A) any claim that such Party is not personally subject to the jurisdiction of the courts as described in this Section 8.16 for any reason, (B) that such Party or such Party's property is exempt or immune from the jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) and (C) that (x) the Proceeding, claim, demand, action or cause of action in any such court is brought against such Party in an inconvenient forum, (y) the venue of such Proceeding, claim, demand, action or cause of action against such Party is improper or (z) this Agreement, or the subject matter hereof, may not be enforced against such Party in or by such courts. Each Party agrees that service of any process, summons, notice or document by registered mail to such Party's respective address set forth in Section 8.4 shall be effective service of process for any such Proceeding, claim, demand, action or cause of action.

Section 8.17 Remedies. Except as otherwise expressly provided herein, any and all remedies provided herein will be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by law or equity upon such Party, and the exercise by a Party of any one remedy will not preclude the exercise of any other remedy. The Parties agree that irreparable damage for which monetary damages, even if available, would not be an adequate remedy, would occur in the event that the Parties do not perform their obligations under the provisions of this Agreement (including failing to take such actions as are required of them hereunder to consummate this Agreement) in accordance with its specified terms or otherwise breach such provisions. The Parties acknowledge and agree that (i) the Parties shall be entitled to an injunction, specific performance, or other equitable relief, to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof and thereof, without proof of damages and without posting a bond, prior to the valid termination of this Agreement in accordance with Section 7.1, this being in addition to any other remedy to which they are entitled under this Agreement, and (ii) the right of specific enforcement is an integral part of the transactions contemplated by this Agreement and without that right, none of the Parties would have entered into this Agreement. Each Party agrees that it will not oppose the granting of specific performance and other equitable relief on the basis that the other Parties have an adequate remedy at law or that an award of specific performance is not an appropriate remedy for any reason at law or equity. The Parties acknowledge and agree that any Party seeking an injunction to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in accordance with this Section 8.17 shall not be required to provide any bond or other security in connection with any such injunction.

Section 8.18 Trust Account Waiver. Reference is made to the final prospectus of SPAC, filed with the SEC (File No. 333-239149) on July 15, 2020 (the "SPAC Prospectus"). Each of the Company Parties acknowledges, agrees and understands that SPAC has established a trust account (the "Trust Account") containing the proceeds of its initial public offering (the "IPO") and from certain private placements occurring simultaneously with the IPO (including interest accrued from time to time thereon) for the benefit of SPAC's public stockholders (including over-allotment shares acquired by SPAC's underwriters, the "Public Stockholders"), and that, except as otherwise

described in the SPAC Prospectus, SPAC may disburse monies from the Trust Account only: (a) to the Public Stockholders in the event they elect to redeem their SPAC Shares in connection with the consummation of SPAC's initial business combination (as such term is used in the SPAC Prospectus) (the "Business Combination") or in connection with an extension of its deadline to consummate a Business Combination, (b) to the Public Stockholders if SPAC fails to consummate a Business Combination within eighteen (18) months after the closing of the IPO, (c) with respect to any interest earned on the amounts held in the Trust Account, as necessary to pay for any franchise and income taxes, or (d) to SPAC after or concurrently with the consummation of a Business Combination. For and in consideration of SPAC entering into this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company hereby agrees on behalf of itself, its shareholders, and its Affiliates that, none of the Company, its shareholders nor any of its Affiliates does now or shall at any time hereafter have any right, title, interest or claim of any kind in or to any monies in the Trust Account or distributions therefrom, or make any claim against the Trust Account (including any distributions therefrom), regardless of whether such claim arises as a result of, in connection with or relating in any way to, this Agreement or any proposed or actual business relationship between SPAC or any of its Representatives, on the one hand, and the Company or any of its Representatives or Affiliates, on the other hand, or any other matter, and regardless of whether such claim arises based on contract, tort, equity or any other theory of legal liability (any and all such claims are collectively referred to hereafter as the "Released Claims"). Each Company Party on behalf of itself, its shareholders and its Affiliates hereby irrevocably waives any Released Claims that it or any of its Representatives or Affiliates may have against the Trust Account (including any distributions therefrom) now or in the future as a result of, or arising out of, any negotiations, contracts or agreements with SPAC or its Representatives and will not seek recourse against the Trust Account (including any distributions therefrom) for any reason whatsoever (including for an alleged breach of any agreement with SPAC or its Affiliates).

\* \* \* \* \*

IN WITNESS WHEREOF, each of the Parties has caused this Business Combination Agreement to be duly executed on its behalf as of the day and year first above written.

**PTK ACQUISITION CORP.**

/s/ Peter Kuo

By: \_\_\_\_\_

Name: Peter Kuo

Title: Chief Executive Officer

*[Signature Page to Business Combination Agreement]*

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**VALENS MERGER SUB, INC.**

/s/ Gideon Ben-Zvi

By: \_\_\_\_\_

Name: Gideon Ben-Zvi

Title: Chief Executive Officer

**VALENS SEMICONDUCTOR LTD.**

/s/ Dror Heldenberg

By: \_\_\_\_\_

Name: Dror Heldenberg

Title: Chief Financial Officer

*[Signature Page to Business Combination Agreement]*

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**EXHIBIT A**

Form of Subscription Agreement

[see attached]

*[Exhibit A to Business Combination Agreement]*

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**EXHIBIT B**

Form of Sponsor Letter Agreement

[see attached]

*[Exhibit B to Business Combination Agreement]*



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**EXHIBIT C**

Form of Transaction Support Agreement

[see attached]

*[Exhibit C to Business Combination Agreement]*

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**EXHIBIT D**

Form of Registration Rights Agreement

[see attached]

*[Exhibit D to Business Combination Agreement]*

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**EXHIBIT E**

Form of Company Warrant Agreement

[see attached]

*[Exhibit E to Business Combination Agreement]*

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**EXHIBIT F**

Form of Company A&R Articles of Association

[see attached]

*[Exhibit F to Business Combination Agreement]*

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**EXHIBIT G**

Conversion Factor Methodology

[see attached]

*[Exhibit G to Business Combination Agreement]*

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**ANNEX A**

List of Key Employees

1. Gideon Ben Zvi, Chief Executive Officer
2. Dror Heldenberg, Chief Financial Officer
3. Keren Shmueli Sidi, Legal
4. Mr. Eyrán Lida, CTO
5. Mr. Massad Eyal, VP Core Technologies
6. Mr. David Chairman, VP R&D
7. Mr. Alon Benzaray, Director Analog and Mixed Signal
8. Mr. Lior Sinay, Circuit and Physical Design Director
9. Mr. Gabi Gur Cohen, Director DSP
10. Mr. Nadav Banet, Director of System Architecture

*[Annex A to Business Combination Agreement]*

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**ANNEX B**

Reorganization Covenants

(i) The present plan and intention of the Company is (and will continue to be through the Closing) for the Company (together with the members of the Company's qualified group within the meaning of Treasury Regulations Section 1.368-1(d)(4)(ii) after the Merger (the "Company's Qualified Group")) to retain and/or use for working capital, growth or other general corporate purposes at least fifty percent (50%) of the amount of cash in the Trust Account immediately prior to any SPAC Stockholder Redemptions (or, if the SPAC Stockholder Redemptions result in a lower amount of cash remaining in the Trust Account following such SPAC Stockholder Redemptions, the entire amount of cash in the Trust Account), and the Company does not have a plan or intention (and will not have a plan or intention through the Closing) contrary to the foregoing. In furtherance of the foregoing, the Company (together with the members of the Company's Qualified Group) shall, during the one-year period following Closing, retain and/or use for working capital, growth or other general corporate purposes at least fifty percent (50%) of the amount of cash in the Trust Account immediately prior to any SPAC Stockholder Redemptions (or, if the SPAC Stockholder Redemptions result in a lower amount of cash remaining in the Trust Account following such SPAC Stockholder Redemptions, the entire amount of cash in the Trust Account). For clarity, any loan or other transfer of such cash by the Company to a member of the Company's Qualified Group and between members of the Company's Qualified Group will be treated as retained and/or used for working capital, growth or other general corporate purposes by the Company (together with the Company's Qualified Group). After such one-year period such cash and/or substitute assets shall not be subject to any of the foregoing restrictions and may be used for any purpose thereafter.

(ii) The Company has no present plan or intention to (and will not have any plan or intention through the Closing to) (A) liquidate the Surviving Company, (B) merge the Surviving Company with and into another corporation, excluding (x) any merger of the Surviving Company with and into (a) the Company (or an entity that is disregarded from the Company for U.S. federal income tax purposes) or (b) any first-tier subsidiary of the Company (or any entity that is disregarded from any such first-tier subsidiary for U.S. federal income tax purposes), and (y) any merger where the Surviving Company is the surviving entity in the merger and continues to be wholly-owned by the Company, or (C) sell or otherwise dispose of the stock of the Surviving Company (excluding any transfer that is permitted by Treasury Regulations Section 1.368-2(k)(1)).

(iii) None of the Company, any of its Subsidiaries, or any Person acting as an intermediary of the foregoing, has any present plan or intention (and will not have any plan or intention through the Closing) to (1) redeem or otherwise acquire any of the Company Ordinary Shares issued to SPAC Stockholders pursuant to the Merger or any of the Company Warrants into which the SPAC Warrants were converted pursuant to the Merger; provided, however, the Company may from time to time repurchase Company Ordinary Shares and/or Company Warrants if any such repurchases are made on the open market through a broker for the prevailing market price pursuant to an open-market repurchase program as described in Rev. Rul. 99-58; and (2) make any distribution with respect to the Company Ordinary Shares issued to SPAC Stockholders pursuant to the Merger other than regular normal dividends or distributions made to all holders of such Company Ordinary Shares in the ordinary course of business of the Company. To the knowledge of the Company, no Person (other than its Subsidiaries) is a person related to the Company as defined in Treasury Regulations Section 1.368-1(e)(4).

*[Annex B to Business Combination Agreement]*

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(iv) The Group Companies shall not knowingly take or cause to be taken any action, or knowingly fail to take or cause to be taken any action, which action or failure to act prevents or impedes, or could reasonably be expected to prevent or impede, the Intended Tax Treatment; provided that notwithstanding the foregoing, (x) nothing in this clause (iv) shall limit or restrict (A) the use or transfer of any cash held by the Group Companies or invested pursuant to the PIPE Financing (or assets purchased by the Group Companies with such cash), (B) any liquidation or merger of the Surviving Company or disposition of the stock of the Surviving Company, (C) any redemption or other acquisition of Company Ordinary Shares issued to SPAC Stockholders pursuant to the Merger or Company Warrants into which the SPAC Warrants were converted pursuant to the Merger, (D) any distribution with respect to the Company Ordinary Shares issued to SPAC Stockholders pursuant to the Merger or (E) any transaction specifically contemplated by this Agreement, in each case, to the extent the Company complies with clauses (i)-(iii) of the Reorganization Covenants, and (y) nothing in this clause (iv) shall limit or restrict any Group Company from taking any reporting position to the extent such reporting position is taken in compliance with Section 5.5(b) of the Agreement.



**COMPENSATION POLICY**

**Valens Semiconductor Ltd.**

**Compensation Policy for Executive Officers and Directors**

(As Adopted on September 9th, 2021)

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## **A. Overview and Objectives**

### **1. Introduction**

This document sets forth the Compensation Policy for Executive Officers and Directors (this “**Compensation Policy**” or “**Policy**”) of Valens Semiconductor Ltd. (“**Valens**” or the “**Company**”), in accordance with the requirements of the Companies Law, 5759-1999 and the regulations promulgated thereunder (the “**Companies Law**”).

Compensation is a key component of Valens’ overall human capital strategy to attract, retain, reward, and motivate highly skilled individuals that will enhance Valens’ value and otherwise assist Valens to reach its business and financial long-term goals. Accordingly, the structure of this Policy is established to tie the compensation of each officer to Valens’ goals and performance.

For purposes of this Policy, “Executive Officers” shall mean “Office Holders” as such term is defined in Section 1 of the Companies Law, excluding, unless otherwise expressly indicated herein, Valens’ directors.

This policy is subject to applicable law and is not intended, and should not be interpreted as limiting or derogating from, provisions of applicable law to the extent not permitted.

This Policy shall apply to compensation agreements and arrangements which will be approved after the date on which this Policy is adopted and shall serve as Valens’ Compensation Policy for five (5) years, commencing as of its adoption, unless amended earlier.

The Compensation Committee and the Board of Directors of Valens (the “**Compensation Committee**” and the “**Board**”, respectively) shall review and reassess the adequacy of this Policy from time to time, as required by the Companies Law.

### **2. Objectives**

Valens’ objectives and goals in setting this Policy are to attract, motivate and retain experienced and talented leaders who will contribute to Valens’ success and enhance shareholder value, while demonstrating professionalism in an achievement-oriented and merit-based culture that rewards long-term excellence, and embedding and modeling Valens’ core values as part of a motivated behavior. To that end, this Policy is designed, among other things:

- 2.1. To closely align the interests of the Executive Officers with those of Valens’ shareholders in order to enhance shareholder value;
- 2.2. To align a significant portion of the Executive Officers’ compensation with Valens’ short and long-term goals and performance;
- 2.3. To provide the Executive Officers with a structured compensation package, including competitive salaries, performance-motivating cash and equity incentive programs and benefits, and to be able to present to each Executive Officer an opportunity to advance in a growing organization;
- 2.4. To strengthen the retention and the motivation of Executive Officers in the long-term;
- 2.5. To provide appropriate awards in order to incentivize superior individual excellence and corporate performance; and
- 2.6. To maintain consistency in the way Executive Officers are compensated.

### **3. Compensation Instruments**

Compensation instruments under this Policy may include the following:

- 3.1. Base salary;

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- 3.2. Benefits;
  - 3.3. Cash bonuses;
  - 3.4. Equity based compensation;
  - 3.5. Change of control provisions; and
  - 3.6. Retirement and termination terms.
4. **Overall Compensation—Ratio Between Fixed and Variable Compensation**
- 4.1. This Policy aims to balance the mix of “Fixed Compensation” (comprised of base salary and benefits) and “Variable Compensation” (comprised of cash bonuses and equity-based compensation) in order to, among other things, appropriately incentivize Executive Officers to meet Valens’ short and long-term goals while taking into consideration the Company’s need to manage a variety of business risks.
  - 4.2. The total annual target bonus and equity-based compensation per vesting annum (based on the fair market value at the time of grant calculated on a linear basis) of each Executive Officer shall not exceed 95% of such Executive Officer’s total compensation package for such year.
5. **Inter-Company Compensation Ratio**
- 5.1. In the process of drafting this Policy, Valens’ Board and Compensation Committee have examined the ratio between employer cost associated with the engagement of the Executive Officers, including directors, and the average and median employer cost associated with the engagement of Valens’ other employees (including contractor employees as defined in the Companies Law) (the “**Ratio**”).
  - 5.2. The possible ramifications of the Ratio on the daily working environment in Valens were examined and will continue to be examined by Valens’ Compensation Committee from time to time in order to ensure that levels of executive compensation, as compared to the overall workforce will not have a negative impact on work relations in Valens.

## **B. Base Salary and Benefits**

6. **Base Salary**
- 6.1. A base salary provides stable compensation to Executive Officers and allows Valens to attract and retain competent executive talent and maintain a stable management team. The base salary varies among Executive Officers, and is individually determined according to the educational background, prior vocational experience, qualifications, corporate role, business responsibilities and past performance of each Executive Officer.
  - 6.2. Since a competitive base salary is essential to Valens’ ability to attract and retain highly skilled professionals, Valens will seek to establish a base salary that is competitive with base salaries paid to Executive Officers in a peer group of other companies operating in technology sectors that are as much as possible similar in their characteristics to Valens, the list of which shall be reviewed and approved by the Compensation Committee. To that end, Valens shall utilize comparative market data and practices as a reference, including a survey comparing and analyzing the level of the overall compensation package offered to an Executive Officer of the Company with compensation packages for persons serving in similar positions (to that of the relevant officer) in the peer group. Such compensation survey may be conducted internally or through an external independent consultant.

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- 6.3. The Compensation Committee and the Board may periodically consider and approve base salary adjustments for Executive Officers. The main considerations for salary adjustment will be similar to those used in initially determining the base salary, but may also include change of role or responsibilities, recognition for professional achievements, regulatory or contractual requirements, budgetary constraints or market trends. The Compensation Committee and the Board will also consider the previous and existing compensation arrangements of the Executive Officer whose base salary is being considered for adjustment. Any limitation herein based on the annual base salary shall be calculated based on the monthly base salary applicable at the time of consideration of the respective grant or benefit.

**7. Benefits**

- 7.1. The following benefits may be granted to the Executive Officers in order, among other things, to comply with legal requirements:
- 7.1.1. Vacation days in accordance with market practice;
  - 7.1.2. Sick days in accordance with market practice;
  - 7.1.3. Convalescence pay according to applicable law;
  - 7.1.4. Monthly remuneration for a study fund, as allowed by applicable law and with reference to Valens' practice and the practice in peer group companies (including contributions on bonus payments);
  - 7.1.5. Valens shall contribute on behalf of the Executive Officer to an insurance policy or a pension fund, as allowed by applicable law and with reference to Valens' policies and procedures and the practice in peer group companies (including contributions on bonus payments); and
  - 7.1.6. Valens shall contribute on behalf of the Executive Officer towards work disability insurance, as allowed by applicable law and with reference to Valens' policies and procedures and to the practice in peer group companies.
- 7.2. Non-Israeli Executive Officers may receive other similar, comparable or customary benefits as applicable in the relevant jurisdiction in which they are employed. Such customary benefits shall be determined based on the methods described in Section 6.2 of this Policy (with the necessary changes and adjustments).
- 7.3. In the events of relocation and/or repatriation of an Executive Officer to another geography, such Executive Officer may receive other similar, comparable or customary benefits as applicable in the relevant jurisdiction in which he or she is employed or additional payments to reflect adjustments in the cost of living. Such benefits may include reimbursement for out-of-pocket one-time payments and other ongoing expenses, such as a housing allowance, a car allowance, home leave visit, etc.
- 7.4. Valens may offer additional benefits to its Executive Officers, which will be comparable to customary market practices, such as, but not limited to: cellular and land line phone benefits, company car and travel benefits, reimbursement of business travel including a daily stipend when traveling and other business related expenses, insurances, other benefits (such as newspaper subscriptions, academic and professional studies), etc., provided, however, that such additional benefits shall be determined in accordance with Valens' policies and procedures.

**C. Cash Bonuses**

**8. Annual Cash Bonuses—The Objective**

- 8.1. Compensation in the form of an annual cash bonus is an important element in aligning the Executive Officers' compensation with Valens' objectives and business goals. Therefore, annual cash bonuses will reflect a pay-for-performance element, with payout eligibility and levels determined based on actual financial and operational results, in addition to other factors the Compensation Committee may determine, including individual performance.

- 8.2. An annual cash bonus may be awarded to Executive Officers upon the attainment of pre-set periodical objectives and individual targets determined by the Compensation Committee (and, if required by law, by the Board) for each fiscal year, or in connection with such officer's engagement, in case of newly hired Executive Officers, taking into account Valens' short and long-term goals, as well as its compliance and risk management policies. The Compensation Committee and the Board shall also determine applicable minimum thresholds that must be met for entitlement to the annual cash bonus (all or any portion thereof) and the formula for calculating any annual cash bonus payout, with respect to each fiscal year, for each Executive Officer. In special circumstances, as determined by the Compensation Committee and the Board (e.g., regulatory changes, significant changes in Valens' business environment, a significant organizational change, significant merger and acquisition events, etc.), the Compensation Committee and the Board may modify the objectives and/or their relative weight during the fiscal year, or may modify payouts following the conclusion of the year.
- 8.3. In the event that the employment of an Executive Officer is terminated prior to the end of a fiscal year, the Company may (but shall not be obligated to) pay such Executive Officer an annual cash bonus (which may or may not be pro-rated) assuming the Executive Officer is otherwise entitled to an annual cash bonus.
- 8.4. The actual annual cash bonus to be paid to Executive Officers shall be approved by the Compensation Committee and the Board.

9. **Annual Cash Bonuses—The Formula**

Executive Officers other than the CEO

- 9.1. The performance objectives for the annual cash bonus of Valens' Executive Officers, other than the chief executive officer (the "CEO"), may be approved by Valens' CEO (in lieu of the Compensation Committee) and may be based on company, division/departmental/business unit and individual objectives. Measurable performance objectives, which include the objectives and the weight to be assigned to each achievement in the overall evaluation, which will be based on actual financial and operational results, such as (by way of example and not by way of limitation) revenues, operating income and cash flows and may further include, divisional or personal objectives which may include operational objectives, such as (by way of example and not by way of limitation) market share, initiation of new markets and operational efficiency, customer focused objectives, project milestones objectives and investment in human capital objectives, such as (by way of example and not by way of limitation) employee satisfaction, employee retention and employee training and leadership programs. The Company may also grant annual cash bonuses to Valens' Executive Officers, other than the CEO, on a discretionary basis.
- 9.2. The target annual cash bonus that an Executive Officer, other than the CEO, will be entitled to receive for any given fiscal year, will not exceed 100% of such Executive Officer's annual base salary.
- 9.3. The maximum annual cash bonus, including for overachievement performance, that an Executive Officer, other than the CEO, will be entitled to receive for any given fiscal year, will not exceed 175% of such Executive Officer's annual base salary.

CEO

- 9.4. The annual cash bonus of Valens' CEO will be mainly based on measurable performance objectives and subject to minimum thresholds as provided in Section 8.2 above. Such measurable performance objectives will be determined annually by Valens' Compensation Committee (and, if required by law, by Valens' Board) and will be based on company and personal objectives. These measurable performance objectives, which include the objectives and the weight to be assigned to each achievement in the overall evaluation, will be based on overall company performance measures, which are based on actual financial and operational results, such as (by way of example and not by way of limitation) revenues, sales, operating income, cash flow or the Company's annual operating plan and long-term plan.

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- 9.5. The less significant part of the annual cash bonus granted to Valens' CEO, and in any event not more than 30% of the annual cash bonus, may be based on a discretionary evaluation of the CEO's overall performance by the Compensation Committee and the Board based on quantitative and qualitative criteria.
- 9.6. The target annual cash bonus that the CEO will be entitled to receive for any given fiscal year, will not exceed 100% of his or her annual base salary.
- 9.7. The maximum annual cash bonus including for overachievement performance that the CEO will be entitled to receive for any given fiscal year, will not exceed 200% of his or her annual base salary.
10. **Other Bonuses**
- 10.1. Special Bonus. Valens may grant its Executive Officers a special bonus as an award for special achievements (such as in connection with mergers and acquisitions, offerings, achieving target budget or business plan objectives under exceptional circumstances, or special recognition in case of retirement) or as a retention award at the CEO's discretion for Executive Officers other than the CEO (and in the CEO's case, at the Compensation Committee's and the Board's discretion), subject to any additional approval as may be required by the Companies Law (the "**Special Bonus**"). Any such Special Bonus will not exceed 200% of the Executive Officer's annual base salary. A Special Bonus can be paid, in whole or in part, in equity in lieu of cash and the value of any such equity component of a Special Bonus shall be determined in accordance with Section 13.3 below.
- 10.2. Signing Bonus. Valens may grant a newly recruited Executive Officer a signing bonus. Any such signing bonus shall be granted and determined at the CEO's discretion for Executive Officers other than the CEO (and in the CEO's case, at the Compensation Committee's and the Board's discretion), subject to any additional approval as may be required by the Companies Law (the "**Signing Bonus**"). Any such Signing Bonus will not exceed 50% of the Executive Officer's annual base salary.
- 10.3. Relocation/ Repatriation Bonus. Valens may grant its Executive Officers a special bonus in the event of relocation or repatriation of an Executive Officer to another geography (the "**Relocation Bonus**"). Any such Relocation bonus will include customary benefits associated with such relocation and its monetary value will not exceed 75% of the Executive Officer's annual base salary.
11. **Compensation Recovery ("Clawback")**
- 11.1. In the event of an accounting restatement, Valens shall be entitled to recover from its Executive Officers the bonus compensation or performance-based equity compensation in the amount in which such compensation exceeded what would have been paid based on the financial statements, as restated, provided that a claim is made by Valens prior to the second anniversary following the filing of such restated financial statements.
- 11.2. Notwithstanding the aforesaid, the compensation recovery will not be triggered in the following events:
- 11.2.1. The financial restatement is required due to changes in the applicable financial reporting standards; or
- 11.2.2. The Compensation Committee has determined that Clawback proceedings in the specific case would be impossible, impractical, or not commercially or legally efficient.

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- 11.3. Nothing in this Section 11 derogates from any other “Clawback” or similar provisions regarding disgorging of profits imposed on Executive Officers by virtue of applicable securities laws or a separate contractual obligation.

#### **D. Equity Based Compensation**

##### **12. The Objective**

- 12.1. The equity-based compensation for Valens’ Executive Officers will be designed in a manner consistent with the underlying objectives of the Company in determining the base salary and the annual cash bonus, with its main objectives being to enhance the alignment between the Executive Officers’ interests with the long-term interests of Valens and its shareholders, and to strengthen the retention and the motivation of Executive Officers in the long term. In addition, since equity-based awards are structured to vest over several years, their incentive value to recipients is aligned with longer-term strategic plans.
- 12.2. The equity-based compensation offered by Valens is intended to be in the form of share options and/or other equity-based awards, such as restricted shares, RSUs or performance stock units, in accordance with the Company’s equity incentive plan in place as may be updated from time to time.
- 12.3. All equity-based incentives granted to Executive Officers (other than bonuses paid in equity in lieu of cash) shall normally be subject to vesting periods in order to promote long-term retention of the awarded Executive Officers. Unless determined otherwise in a specific award agreement or in a specific compensation plan approved by the Compensation Committee and the Board, grants to Executive Officers other than non-employee directors shall vest based on time, gradually over a period of at least 2-4 years, or based on performance. The exercise price of options shall be determined in accordance with Valens’ policies, the main terms of which shall be disclosed in the annual report of Valens.
- 12.4. All other terms of the equity awards shall be in accordance with Valens’ incentive plans and other related practices and policies. Accordingly, the Board may, following approval by the Compensation Committee, make modifications to such awards consistent with the terms of such incentive plans, subject to any additional approval as may be required by the Companies Law.

##### **13. General Guidelines for the Grant of Awards**

- 13.1. The equity-based compensation shall be granted from time to time and be individually determined and awarded according to the performance, educational background, prior business experience, qualifications, corporate role and the personal responsibilities of the Executive Officer.
- 13.2. In determining the equity-based compensation granted to each Executive Officer, the Compensation Committee and the Board shall consider the factors specified in Section 13.1 above, and in any event, the total fair market value of an annual equity-based compensation award at the time of grant (not including bonuses paid in equity in lieu of cash) shall not exceed: (i) with respect to the CEO—the higher of (w) 500% of his or her annual base salary or (x) 0.5% of the Company’s fair market value at the time of approval of the grant by the Board; and (ii) with respect to each of the other Executive Officers—the higher of (y) 300% of his or her annual base salary or (z) 0.35% of the Company’s fair market value at the time of approval of the grant by the Board.
- 13.3. The fair market value of the equity-based compensation for the Executive Officers will be determined by multiplying the number of shares underlying the grant by the market price of Valens’ ordinary shares on or around the time of the grant or according to other acceptable valuation practices at the time of grant, in each case, as determined by the Compensation Committee and the Board.

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## **E. Retirement and Termination of Service Arrangements**

### **14. Advanced Notice Period**

Valens may provide an Executive Officer, on the basis of his/her seniority in the Company, his/her contribution to the Company's goals and achievements and the circumstances of his/her retirement prior notice of termination of up to twelve (12) months in the case of the CEO and other Executive Officers, during which they may be entitled to all of the compensation elements, and to the continuation of vesting of his/her equity-based compensation. Such advance notice may or may not be provided in addition to severance, provided, however, that the Compensation Committee shall take into consideration the Executive Officer's entitlement to advance notice in establishing any entitlement to severance and vice versa.

### **15. Adjustment Period**

Valens may provide an additional adjustment period of up to six (6) months to the CEO or to any other Executive Officer according to his/her seniority in the Company, his/her contribution to the Company's goals and achievements and the circumstances of retirement, during which the Executive Officer may be entitled to all of the compensation elements, and to the continuation of vesting of his/her equity-based compensation.

### **16. Additional Retirement and Termination Benefits**

Valens may provide additional retirement and terminations benefits and payments as may be required by applicable law (e.g., mandatory severance pay under Israeli labor laws), or which will be comparable to customary market practices.

### **17. Non-Compete Grant**

Upon termination of employment and subject to applicable law, Valens may grant to its Executive Officers a non-compete grant as an incentive to refrain from competing with Valens for a defined period of time. The terms and conditions of the non-compete grant shall be decided by the Board and shall not exceed such Executive Officer's monthly base salary multiplied by twelve (12). The Board shall consider the existing entitlements of the Executive Officer in connection with the consideration of any non-compete grant.

### **18. Limitation Retirement and Termination of Service Arrangements**

The total non-statutory payments under Section 14-17 above for a given Executive Officer shall not exceed the Executive Officer's monthly base salary multiplied by twenty-four (24). The limitation under this Section 18 does not apply to benefits and payments provided under other chapters of this Policy.

## **F. Exculpation, Indemnification and Insurance**

### **19. Exculpation**

Each and every Director and Executive Officer may be exempted in advance for all or any of his/her liability for damage in consequence of a breach of the duty of care, to the fullest extent permitted by applicable law.

### **20. Insurance and Indemnification**

20.1. Valens may indemnify its directors and Executive Officers to the fullest extent permitted by applicable law, for any liability and expense that may be imposed on the director or the Executive Officer, as provided in the indemnity agreement between such individuals and Valens, all subject to applicable law and the Company's articles of association.



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- 20.2. Valens will provide directors' and officers' liability insurance (the "**Insurance Policy**") for its directors and Executive Officers as follows:
- 20.2.1. The limit of liability of the insurer shall not exceed the greater of \$200 million or 30% of the Company's shareholders equity based on the most recent financial statements of the Company at the time of approval of the Insurance Policy by the Compensation Committee; and
- 20.2.2. The Insurance Policy, as well as the limit of liability and the premium for each extension or renewal shall be approved by the Compensation Committee (and, if required by law, by the Board) which shall determine that the sums are reasonable considering Valens' exposures, the scope of coverage and the market conditions and that the Insurance Policy reflects the current market conditions and that it shall not materially affect the Company's profitability, assets or liabilities.
- 20.3. Upon circumstances to be approved by the Compensation Committee (and, if required by law, by the Board), Valens shall be entitled to enter into a "run off" Insurance Policy (the "**Run-Off Policy**") of up to seven (7) years, with the same insurer or any other insurance, as follows:
- 20.3.1. The limit of liability of the insurer shall not exceed the greater of \$200 million or 30% of the Company's shareholders equity based on the most recent financial statements of the Company at the time of approval by the Compensation Committee; and
- 20.3.2. The Run-Off Policy, as well as the limit of liability and the premium for each extension or renewal shall be approved by the Compensation Committee (and, if required by law, by the Board) which shall determine that the sums are reasonable considering the Company's exposures covered under such policy, the scope of coverage and the market conditions and that the Run-Off Policy reflects the current market conditions and that it shall not materially affect the Company's profitability, assets or liabilities.
- 20.4. Valens may extend an Insurance Policy in effect to include coverage for liability pursuant to a future public offering of securities as follows:
- 20.4.1. The Insurance Policy, as well as the additional premium shall be approved by the Compensation Committee (and if required by law, by the Board) which shall determine that the sums are reasonable considering the exposures pursuant to such public offering of securities, the scope of coverage and the market conditions and that the Insurance Policy reflects the current market conditions, and that it does not materially affect the Company's profitability, assets or liabilities.

#### **G. Arrangements upon Change of Control**

21. The following benefits may be granted to the Executive Officers (in addition to, or in lieu of, the benefits applicable in the case of any retirement or termination of service) upon or in connection with a "Change of Control" or, where applicable, in the event of a Change of Control following which the employment of the Executive Officer is terminated or adversely adjusted in a material way:
- 21.1. Acceleration of vesting of outstanding options or other equity-based awards;
- 21.2. Extension of the exercise period of equity-based grants for Valens' Executive Officers for a period of up to one (1) year, following the date of termination of employment; and
- 21.3. Up to an additional six (6) months of continued base salary and benefits following the date of termination of employment (the "**Additional Adjustment Period**"). For avoidance of doubt, such additional Adjustment Period may be in addition to the advance notice and adjustment periods pursuant to Sections 14 and 15 of this Policy, but subject to the limitation set forth in Section 18 of this Policy.

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- 21.4. A cash bonus not to exceed 150% of the Executive Officer's annual base salary in case of an Executive Officer other than the CEO and 200% in case of the CEO.

#### **H. Board of Directors Compensation**

22. All Valens' non-employee Board members may be entitled to an annual cash fee retainer of up to \$60,000 (and up to \$120,000 for the chairperson of Valens' Board), an annual committee membership fee retainer of up to \$10,000 and an annual committee chairperson cash fee retainer of up to \$20,000 (it is being clarified that the payment for the chairpersons would be in lieu of (and not in addition) to the payments referenced above for committee membership).
23. The compensation of the Company's external directors, if any are required and elected, shall be in accordance with the Companies Regulations (Rules Regarding the Compensation and Expenses of an External Director), 5760-2000, as amended by the Companies Regulations (Relief for Public Companies Traded in Stock Exchange Outside of Israel), 5760-2000, as such regulations may be amended from time to time.
24. Notwithstanding the provisions of Section 22 above, in special circumstances, such as in the case of a professional director, an expert director or a director who makes a unique contribution to the Company, such director's compensation may be different than the compensation of all other directors and may be greater than the maximum amount allowed under Section 22.
25. Each non-employee member of Valens' Board may be granted equity-based compensation. The total fair market value of a "welcome" or an annual equity-based compensation at the time of grant shall not exceed the higher of (i) \$250,000 or (x) 0.15% of the Company's fair market value at the time of approval of the grant by the Board, with a vesting period of between one (1) to three (3) years.
26. All other terms of the equity awards shall be in accordance with Valens' incentive plans and other related practices and policies. Accordingly, the Board may, following approval by the Compensation Committee, make modifications to such awards consistent with the terms of such incentive plans, subject to any additional approval as may be required by the Companies Law.
27. In addition, members of Valens' Board may be entitled to reimbursement of expenses in connection with the performance of their duties.
28. The compensation (and limitations) stated under Section H will not apply to directors who serve as employee of the Company.

#### **I. Miscellaneous**

29. Nothing in this Policy shall be deemed to grant to any of Valens' Executive Officers, employees, directors, or any third party any right or privilege in connection with their employment by or service to the Company, nor deemed to require Valens to provide any compensation or benefits to any person. Such rights and privileges shall be governed by applicable personal employment agreements or other separate compensation arrangements entered into between Valens and the recipient of such compensation or benefits. The Board may determine that none or only part of the payments, benefits and perquisites detailed in this Policy shall be granted, and is authorized to cancel or suspend a compensation package or any part of it.
30. An Immaterial Change in the Terms of Employment of an Executive Officer other than the CEO may be approved by the CEO, provided that the amended terms of employment are in accordance with this Policy. An "Immaterial Change in the Terms of Employment" means a change in the terms of employment of an Executive Officer with an annual total cost to the Company not exceeding an amount equal to two (2) monthly base salaries of such employee.
31. In the event that new regulations or law amendment in connection with Executive Officers' and directors' compensation will be enacted following the adoption of this Policy, Valens may follow such new regulations or law amendments, even if such new regulations are in contradiction to the compensation terms set forth herein.

This Policy is designed solely for the benefit of Valens and none of the provisions thereof are intended to provide any rights or remedies to any person other than Valens.

**Valens Semiconductor Ltd.**  
**2007 Option Plan**

1. **NAME**

This plan as adopted by the Board of Directors of Valens Semiconductor Ltd., (the “**Company**”) on October 25, 2007, and as amended from time to time, shall be known as the “Valens Semiconductor Ltd. 2007 Option Plan” (the “**Plan**”).

2. **PURPOSE OF THE PLAN**

The purposes of this Plan are to attract and retain the best available individuals for positions of substantial responsibility, and to promote the success of the Company’s and Affiliate’s business by aligning the financial interests of individuals providing services to the Company and Affiliates with long-term shareholder value.

3. **HEADINGS AND DEFINITIONS**

3.1 The section headings are intended solely for the reader’s convenience and in no event shall they constitute a basis for the interpretation of the Plan.

3.2 In this Plan, the following terms shall have the meanings set forth beside them:

<b>“Affiliate”</b>	Corporate entities who are related to the Company by way of common ownership or control, either partially or entirely, including but not limited to any “employing company” as defined in Section 102(a) of the Ordinance;
<b>“Applicable Law”</b>	The legal requirements applicable to the administration of option and share award plans, any Stock Exchange rules or regulations and the applicable laws, rules and regulations of any country or jurisdiction where Options are granted under the Plan, as such laws, rules, regulations and requirements shall be in place from time to time;
<b>“Approved Option”</b>	An Option granted under Section 102, in accordance with the “capital gains route”, and other rights granted with respect to such Option;
<b>“Board”</b>	The Company’s Board of Directors, or, subject to applicable law and the Company’s Articles of Association, any committee empowered by the Board for the purpose of implementation of this Plan;
<b>“Cause”</b>	Any of the following-  (a) A material breach of the employment or engagement agreement between the Company or an Affiliate and a Participant, including but not limited to, a breach of any confidentiality duty of a Participant (including in regards to the confidentiality of this Plan and any grant made there-under), inappropriate use of confidential information of the

Company or an Affiliate or an event of breach of trust or breach of any non-competition obligation of a Participant;

(b) Any act which constitutes a breach of a Participant's fiduciary duty towards the Company or an Affiliate, including without limitation disclosure of confidential information of the Company or an Affiliate and acceptance or solicitation to receive unauthorized or undisclosed benefits, irrespective of their nature, or funds or promises to receive either, from individuals, Consultants or corporate entities that the Company or an Affiliate does business with;

(c) Any act of fraud by a Participant or embezzlement of funds of the Company or an Affiliate;

(d) Any conduct (other than conduct in good faith) reasonably determined by the Board to be materially detrimental to the Company or an Affiliate;

(e) Any conviction of any felony involving moral turpitude or affecting the Company or an Affiliate;

(f) Any refusal to carry out a reasonable directive of the Board or the Company's Chief Executive Officer or an Affiliate's Chief Executive Officer which involves the business of the Company or an Affiliate and was capable of being lawfully performed;

(g) Circumstances justifying the revocation and/or reduction of a Participant's entitlement to severance pay pursuant to Sections 16 or 17 of the Severance Pay Law, 1963;

(h) Any other reason which may be defined as Cause in the Participant's personal employment contract; or;

(i) Any action, omission or state of affairs related to the Participant which the Board decides, at its sole discretion, is against the interests of the Company or an Affiliate;

***"Company"***

Valens Semiconductor Ltd., company number 513887042, a company incorporated under the laws of Israel or any Successor Company;

***"Consultant"***

Shall mean any person, except an Employee, engaged by the Company or an Affiliate, in order to render services to such company, including as an advisor or officer;

***"Controlling Shareholder"***

A controlling shareholder of the Company as defined in section 32(9) of the Ordinance;

***"Effective Date"***

A date to be determined separately for each Participant, as specified in such Participant's Option Agreement, from which the vesting period of the Options shall commence;

***"Employee"***

Shall mean any person, who is a common law employee of the Company or an Affiliate, and who is on the payroll of such the Company or an Affiliate, or, in respect of Approved Options, any officer of such company all in accordance with Section 102;

***"Exercise Price"***

Shall mean the consideration required to be paid by a Participant in order to exercise one Option;

<b><i>“Expiration Date”</i></b>	With respect to an Option, the earlier of (i) the time such Option is fully exercised, or (ii) ten (10) years from the Grant Date of such Option, or (ii) the time on which such Option expires in accordance with Sections 9 and 12 below;
<b><i>“Fair Market Value”</i></b>	<p>Shall mean, as of any date, the value of an ordinary share of the Company determined as follows:</p> <p>(i) If the ordinary shares are listed on any established Stock Exchange, the Fair Market Value shall be the closing sales price for such ordinary shares (or the closing bid, if no sales were reported), as quoted on such Stock Exchange for the last market trading day prior to the time of determination;</p> <p>(ii) If the ordinary shares are regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value shall be the mean between the high bid and low asked prices for the ordinary shares on the last market trading day prior to the day of determination, or;</p> <p>(iii) If an investment in the Company took place during the preceding 6 month period, the Fair Market Value shall be determined according to the value of an ordinary share of the Company established in such investment;</p> <p>(iv) In the absence of any of the above, the Fair Market Value thereof shall be determined in good faith by the Board of Directors.</p> <p>For the avoidance of doubt, the above definition of Fair Market Value shall not apply for the purpose of determining the tax liability pursuant to Section 102(b)(3) of the Ordinance;</p>
<b><i>“Grant Date”</i></b>	The date on which an Option is granted to a Participant, as set forth in the resolution of the Board of Directors (or, if applicable, of the compensation committee in which the authority to grant Options was duly vested by the Board) granting such Option;
<b><i>“Holding Period”</i></b>	the holding period provided under Section 102 in respect of the “capital gains route” or under a tax ruling by the Israeli Tax Authority;
<b><i>“Ordinance”</i></b>	The Israeli Income Tax Ordinance [New Version], 1961, as amended from time to time;
<b><i>“Option”</i></b>	An option to purchase one Share, granted to a Participant, subject to the provisions of this Plan and the applicable Option Agreement;
<b><i>“Option Agreement”</i></b>	A written agreement between the Company and a Participant setting forth the terms under which Options are granted to a Participant;
<b><i>“Participant”</i></b>	Shall mean an Employee of or Consultant of the Company or an Affiliate to which an Option was granted;

<b><i>“Plan”</i></b>	Shall mean this Valens Semiconductor Ltd. 2007 Option Plan, including any amendments thereto;
<b><i>“Section 102”</i></b>	Section 102 of the Ordinance and the Israeli Income Tax Rules (Tax Relief in Issuance of Shares to Employees) 2003, as amended from time to time;
<b><i>“Share”</i></b>	An ordinary share of the Company (par value 0.01 NIS ), which is issued to a Participant upon exercise of an Option;
<b><i>“Stock Exchange”</i></b>	Any stock exchange, on which ordinary shares of the Company are listed, or such other market or a national market system, on which the Company’s ordinary shares’ prices are regularly quoted;
<b><i>“Structural Change”</i></b>	Any Liquidation Event, as defined in and determined pursuant to the Company’s Articles of Association in effect from time to time.
<b><i>“Successor Company”</i></b>	Shall mean any entity with or into which the Company merged, or to which certain operations or certain assets of the Company were transferred, or which purchased substantially all the Company’s assets or ordinary shares, provided that the Company is not the surviving entity;
<b><i>“Tax”</i></b>	Any applicable tax and other compulsory payments such as social security and health tax contributions under any applicable law;
<b><i>“Termination”</i></b>	<p>For an Employee, the termination of service as an Employee, and for Consultants, the interruption, expiration, or termination of such person’s consulting or advisory relationship with the Company or an Affiliate, or the occurrence of any termination event as set forth in such person’s Option Agreement;</p> <p>For the purpose of this plan, the following shall not be considered as Termination (i) for an Employee—sick leave, maternity leave, infant care leave, medical emergency leave, military leave, or any other leave of absence authorized in writing by the Board; and (ii) for a Consultant - any temporary interruption in such person’s availability to provide services to the Company or an Affiliate, which has been authorized in writing by the Board prior to its commencement;</p>
<b><i>“Termination Date”</i></b>	With regard to Employees, the date on which the employment relations between an Employee and the Company or an Affiliate have cease to exist, for any reason whatsoever; however for the purpose of Termination for Cause, the Termination Date is the date on which a notice regarding such termination was sent by the Company or an Affiliate, or by the Employee, to the other party;

	With regard to Consultants, the earlier of (i) the date of termination of the agreement between the Consultant and the Company or an Affiliate; or (ii) the date on which a notice regarding such termination was sent by the Company or an Affiliate, or by the Consultant, to the other party;
<b>“Transfer”</b>	With respect of any Option or Share – the sale, assignment, transfer, pledge, mortgage or granting of any right to a third party thereto;
<b>“Trustee”</b>	Any trustee appointed by the Company in accordance with Section 102 and approved by the Israeli Tax Authority;
<b>“Un-approved Option”</b>	An Option granted under or subject to taxation under Section 102(c) of the Ordinance;
<b>“Vesting Date”</b>	The date upon which the Option is exercisable, as determined by this Plan and in the Option Agreement;

**4. ADMINISTRATION OF THE PLAN**

- 4.1 The Board shall have the power to administer the Plan.
- 4.2 Subject to the provisions of the Plan, the Board shall have the authority, at its discretion: (i) to grant Options to Participants; (ii) to determine the terms and provisions of each Option granted (which need not be identical), including, but not limited to, the number of Options to be granted to each Participant, provisions concerning the time and the extent to which the Options may be exercised, the underlying Shares sold and the nature and duration of restrictions as to the Transferability of Options and/or Shares; (iii) to amend, modify or supplement (with the consent of the applicable Participant, if such amendments adversely affect the terms of his Options) the terms of each outstanding Option; (iv) to interpret the Plan; (v) to prescribe, amend, and rescind rules and regulations relating to the Plan, including the form of Option Agreements; (vi) to authorize conversion or substitution under the Plan of any or all Options or Shares and to cancel or suspend Options, as necessary, provided the interests of the Participants are not harmed; (vii) to accelerate or defer (with the consent of the Participant) the right of a Participant to exercise in whole or in part, any previously granted Options; (viii) to authorize any person to execute on behalf of the Company any instrument required to effectuate the grant of an Option previously granted by the Board; and (ix) to make all other determinations deemed necessary or advisable for the administration of the Plan.
- 4.3 This Plan shall apply to grants of Options made following the adoption of this Plan by the Board.
- 4.4 All decisions, determinations, and interpretations of the Board shall be final and binding on all Participants unless otherwise determined by the Board.

**5. ELIGIBILITY**

Options may be granted to Participants and to persons who have signed an employment or consultancy agreement with the Company or an Affiliate; An Approved Option shall only be granted to Israeli Employees of the Company or an Affiliate as stated in Section 102, who at the time of grant, or as a consequence of the grant are not a Controlling Shareholder of the Company.



6. **SHARES RESERVED FOR THE PLAN**

- 6.1 Subject to Section 12.1 of the Plan, the maximum aggregate number of Shares that may be subject to Awards under the Plan and any other share and option plans which may be adopted by the Company in the future unless otherwise approved by the Board, and subject to any adjustment made to the share capital of the Company is two hundred and seventy six thousand, nine hundred and forty seven (276,947) ordinary shares. The Shares may be authorized but unissued ordinary shares, or reacquired ordinary shares of the Company. If an Option should expire or become un-exercisable for any reason without having been exercised in full Shares that were subject thereto shall, unless the Plan shall have been terminated, become available for future grant under the Plan. In addition, any Shares which are retained by the Company upon exercise of an Option in order to satisfy the Exercise Price for such Option or any withholding taxes due with respect to such Exercise shall be treated as not issued and shall continue to be available under the Plan. Shares issued under the Plan and later repurchased by the Company pursuant to any repurchase right which the Company may have, shall be available for future grant under the Plan.
- 6.2 The Company during the term of this Plan will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.
- 6.3 The Shares constitute part of the ordinary shares of the Company, and they shall have equal rights for all intents and purposes as the rights attached to the ordinary shares of the Company, subject to the provisions of this Plan and an Option Agreement. Any change of the Company's Articles of Association, which may change the rights attached to the Company's ordinary shares, shall also apply to the Shares, and the provisions hereof shall apply with the necessary modifications arising from any such change.
- 6.4 The grant of Options under this Plan shall not restrict the Company in any way regarding future creation of additional and/or other classes of shares, including classes of shares, which may in any manner be preferred over the currently existing ordinary shares which are offered to Participants under this Plan. The grant of Options under this Plan shall not entitle any Participant to receive any compensation (other than adjustments as provided herein) in the event of any change of the Company's capital.

7. **OPTIONS**

7.1 **Grant**

- 7.1.1 The Board may grant from time to time to Participants, Options on a personal basis. The Options granted pursuant to the Plan, shall be evidenced by a written Option Agreement between the Company and the Participant, in such form as the Board shall from time to time approve. Each Option Agreement shall state, among other matters, the number of Options granted, the Vesting Dates, the Exercise Price, the tax route and such other terms and conditions as the Board at its discretion may prescribe, provided that they are consistent with this Plan.

7.1.2 Options which are Approved Options, as determined in the Option Agreement, and any Shares issued in respect of such Approved Option shall be subject to the Trustee's trusteeship, as provided in Section 11 below. Any grant of an Approved Option shall be subject to compliance with the conditions of Section 102 including and shall be granted only after the submission of the Plan for approval by the Israeli Tax Authority.

7.2 **Vesting**

The Board shall set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of Options that will vest and become exercisable. The Board may set vesting criteria based upon the achievement of Company-wide, business unit, or individual goals (including, but not limited to, continued employment), or any other basis determined by the Board in its discretion. The vesting conditions and schedule shall be set in the applicable Option Agreement. No Option shall be exercised after the Expiration Date. The vesting provisions of individual Options may vary.

7.3 An Option may be subject to such other terms and conditions, not inconsistent with the Plan, on the time or times when it may be exercised as the Board may deem appropriate.

7.4 **Exercise of Options**

7.4.1 An Option shall be exercised by submission to the Company of a notice of exercise, in a form set by the Company. The exercise of an Option shall occur on such time on which a notice of exercise has been received by the Company accompanied by payment in full of the Exercise Price payable therefor, and as soon as practicable thereafter the Company will issue the Share(s) underlying such exercised Option, provided that the Shares so issued shall not be delivered to the Participant or any third party (other than the Trustee, if applicable) unless and until all applicable Tax was paid to the Trustee's (if applicable) and the Company's full satisfaction and subject to compliance with Applicable Law.

7.4.2 Except as otherwise provided in the Plan or in an Option Agreement, an Option may be exercised in full or in part, provided it is not exercised for a fraction of a Share.

7.4.3 The Participant shall sign any document required under any law or by the Company or Trustee for the purposes of issuance of the Shares.

7.4.4 Notices of exercise of Options, which are submitted after the Expiration Date, or which relate to Options that have not yet vested, or which do not contain all of the details required by the exercise form, shall not be accepted and shall have no force whatsoever.

7.4.5 The Participant shall sign any document required under any Applicable Law or by the Company for the purposes of issuance of the Shares.

7.5 **Consideration.** The Exercise Price shall be paid in cash or check at the time the Option is exercised. Should the Company's ordinary shares be listed for trade on a Stock Exchange the Board may consider allowing a cashless exercise, subject to the provisions of Applicable Law. If, as of the date of exercise of an Option the Company then is

permitting cashless exercises, the Participants will be able to engage in a “same-day sale” cashless brokered exercise program, involving one or more brokers, through such a program that complies with the Applicable Laws and that ensures prompt delivery to the Company of the amount required to pay the Exercise Price and any Tax.

8. **TERMS AND CONDITIONS OF THE OPTIONS**

Options granted under the Plan shall be evidenced by the related Option Agreement and shall be subject to the following terms and conditions and to such other terms and conditions included in the Option Agreement not inconsistent therewith, as the Board shall determine:

- 8.1 **Non Transferability of Option.** Unless otherwise determined by the Board, an Option shall not be Transferable by the Participant other than by will or by the laws of descent. Options or rights arising therefrom shall not be subject to mortgage, attachment or other willful encumbrance, and no power of attorney shall be issued in respect thereof, whether such enter into force immediately or at a future date.
- 8.2 **One Time Benefit.** The Options and underlying Shares are extraordinary, one-time benefits granted to the Participants, and are not and shall not be deemed a salary component for any purpose whatsoever, including in connection with calculating severance compensation under any Applicable Law.
- 8.3 **Fractions.** An Option may not be converted into a fraction of a Share. In lieu of issuing fractional Shares, on the vesting of a fraction of an Option, the Company shall convert any such fraction of an Option, which represents a right to receive 0.5 or more of a Share, to one Share and shall extinguish any such fraction of an Option, which represents a right to receive less than 0.5 of a Share without issuing any Shares.
- 8.4 **Term.** No full or partial exercise of an Option shall be carried out following the Expiration Date of such Option.

9. **TERMINATION OF EMPLOYMENT OR ENGAGEMENT.**

- 9.1 **Unvested Options.** Unless otherwise determined by the Board, in the case of Termination, any Option or portion thereof that was not vested as of the Termination Date shall immediately expire on the Termination Date.
- 9.2 **Vested Options**
  - 9.2.1 **Termination other than for Cause.**
    - 9.2.1.1 Unless otherwise determined by the Board, in the case of Termination other than for Cause, any Option or portion thereof that is vested as of the Termination Date may be exercised but only within such period of time ending on the earlier of (i) the date ninety (90) days following the Termination Date, or (ii) the Expiration Date, but only to the extent to which such Option was exercisable at the time of the Termination Date. If, after the Termination Date, the Participant does not exercise his or her Option within the time specified above or in the Option Agreement, the Option shall expire.

9.2.1.2 In the event of (i) Termination as a result of the Participant's death or disability or (ii) the Participant dies within the period (if any) specified in the Option Agreement after the Termination Date, then the Option may be exercised (to the extent exercisable as of the date of death) by the Participant's estate, by a person who acquired the right to exercise the Option by bequest or inheritance or by a person designated to exercise the Option upon the Participant's death, but only within the period ending on the earlier of (1) the date twelve (12) months following the date of death or the Termination Date due to disability (as the case may be) (or such longer or shorter period specified in the Option Agreement) or (2) the Expiration Date. If, after death or termination due to disability (as the case may be), the Option is not exercised within the time specified herein, the Option shall expire.

9.2.1.3 If the exercise of an Option following the Termination Date would be prohibited at any time solely because the issuance of Shares would violate requirements of any Applicable Law, then the Option shall expire at the end of a period of three (3) months after the Termination Date, or twelve (12) months after the date of death, as applicable, during which the exercise of the Option would not be in violation of such requirements.

9.2.1.4 It is clarified that during such periods following the Termination Date the Participant's entitlement to Options shall not continue to vest.

9.2.1.5 The Board shall have the sole authority to extend the exercise periods detailed in sections 9.2.1.1 – 9.2.1.3 above at its sole discretion.

9.2.2 **Termination for Cause.** If a Participant's employment or engagement with the Company is terminated for Cause, any Option or portion thereof that has not been exercised as of the Termination Date shall immediately expire on the Termination Date.

9.3 No Participant shall be entitled to claim against the Company that he or she was prevented from continuing to vest Options as of the Termination Date. Such Participant shall not be entitled to any compensation in respect of the Options which would have vested in his favor had such Participant's employment or engagement with the Company not been terminated.

#### 10. **NO RIGHT TO EMPLOYMENT, SERVICE OR SHARES**

The grant of an Option or a Share under the Plan shall impose no obligation on the Company or an Affiliate to continue the employment of any Employee or the engagement with any Consultant and shall not lessen or affect the Company's or an Affiliate's right to terminate the employment or service relationship of such Participant at any time and/or for any or no reason with or without Cause. No Participant or other person shall have any claim to be granted any Options, and there is no obligation for uniformity of treatment of Participants, or holders or beneficiaries of Options. The terms and conditions of Options and the Boards' determinations and interpretations with respect thereto need not be the same with respect to each Participant (whether or not such Participants are similarly situated).

Nothing contained in the Plan shall prevent the Company from adopting, adjusting or continuing in effect compensation arrangements, which may, but need not, provide for the grant of Options or Shares.

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## 11. TRUST

- 11.1 Unless provided otherwise by the Board, Approved Options and any Shares issued in connection with such Approved Options, shall be held by the Trustee for the benefit of the Participant, in accordance with the provisions of Section 102 in the “capital gains route”. Any exercise of an Option or sale of a Share shall be notified to the Trustee
- 11.2 The validity of any order given to the Trustee by a Participant shall be subject to approval of such order by the Company. The Company does not undertake to approve orders given by any Participant to the Trustee within any period of time.
- 11.3 Subject to the provisions of this Plan, the Approved Options and any Shares issued in connection with such Approved Options shall not be released from the control of the Trustee nor shall they be Transferred unless the Company and the Trustee are satisfied that the full amounts of Tax due by the applicable Participant have been paid or will be paid.
- 11.4 Subject to the provisions of Section 102, a Participant shall not Transfer or release from the control of the Trustee any Approved Option or any Share issued in connection with such Approved Options, until the lapse of the Holding Period. Notwithstanding the above, if any such sale, release or Transfer occurs during the Holding Period, the sanctions under Section 102 shall apply to and shall be borne by such Participant.
- 11.5 As long as the Approved Options and any Shares issued in connection with such Approved Options are held by the Trustee for the benefit of the Participant, all rights of the Participant over the Approved Options and Shares cannot be Transferred other than by will or laws of descent and distribution.
- 11.6 Without derogating from the aforementioned, the Board shall have the authority to determine the specific procedures and conditions of the trusteeship with the Trustee in a separate agreement between the Company and the Trustee, all subject to Section 102.
- 11.7 Should the Approved Options or any Shares issued in connection with such Approved Options be transferred by power of a last will or under laws of decent, the provisions of Section 102 shall apply to the heirs or transferees of the deceased Participant.
- 11.8 Approved Options that do not comply with the requirements of Section 102 shall be considered Un-approved Options.

## 12. ADJUSTEMENTS TO THE SHARES SUBJECT TO THE PLAN

- 12.1 **Adjustment Due to Change in Capital.** If the ordinary shares of the Company shall at any time be changed or exchanged by declaration of a share dividend (bonus shares), share split, combination or exchange of shares, recapitalization, or any other like event by or of the Company, and as often as the same shall occur, then the number and class of the underlying Shares of the Options subject to the Plan and the Exercise Price of the Options shall be appropriately and equitably adjusted so as to maintain the proportionate value of the Option, provided, however, that no adjustment shall be made by reason of the

distribution of subscription rights (rights offering) on outstanding ordinary shares. Upon happening of any of the foregoing, the class and aggregate number of underlying Shares of the Options, issuable pursuant to the Plan under section 6 above, shall be appropriately adjusted by the Board, whose determination in that respect shall be final, binding, and conclusive. Except as expressly provided herein, no issuance by the Company of shares of any class, or securities convertible into shares of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares underlying an Option. Any adjustment according to this section shall be subject to the receipt of a tax ruling or approval from the tax authorities, as necessary.

- 12.2 **Structural Change.** Without derogating from the Board's general power under the Plan, in the event of any Structural Change, the Board shall be entitled (but not obliged), at its sole discretion, to determine any of the following: (i) provide for an assumption or exchange of Options and/or Shares for options and/or shares and/or other securities or rights of the Successor Company; and/or (ii) provide for an exchange of Options or Shares for a monetary compensation; and/or (iii) determine that all unvested Options and un-exercised vested Options shall expire on the date of such Structural Change. In the case of assumption and/or substitution of Options, appropriate adjustments shall be made so as to reflect such action and all other terms and conditions of the Option Agreements shall remain unchanged, including but not limited to the vesting schedule, all subject to the determination of the Board, which determination shall be at its sole discretion and final. The grant of any substitutes for the Options and/or Shares to Participants further to a Structural Change, as provided in sub-clauses (i) and (ii), shall be considered as full compliance with the terms of this Plan. The value of the exchanged Options and/or Shares pursuant to this section 12.2 shall be determined in good faith solely by the Board, based on the Fair Market Value, and its decision shall be final and binding on all the Participants.

Unless determined otherwise by the Board of Directors, any Options not assumed or exchanged for options and/or shares and/or other securities or rights of the Successor Company shall expire immediately prior to the consummation of the Structural Change.

For the purposes of this section 12.2, Options shall be considered assumed or substituted if, following the Structural Change, the Options confer the right to purchase or receive, for each underlying Share immediately prior to the Structural Change, the consideration (whether shares, options, cash, or other securities or property) received in the Structural Change by holders of ordinary shares held on the effective date of the Structural Change (and if such holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding ordinary shares); provided, however, that if such consideration received in the Structural Change is not solely ordinary shares (or their equivalent) of the Successor Company or its parent or subsidiary, the Board may, with the consent of the Successor Company, provide for the consideration received in the Structural Change to be solely ordinary shares (or their equivalent) of the Successor Company or its parent or subsidiary equal in value to the per Share consideration received by holders of a majority of the outstanding ordinary shares in the Structural Change; and provided further that the Board may determine, at its discretion, that in lieu of such assumption or substitution of Options for options of the Successor Company or its parent or subsidiary, such Options will be substituted for any other type of asset or property including cash which is fair under the circumstances.

Without derogating from the above, in the event of a Structural Change the Board shall be entitled, at its sole discretion, to require the Participants to exercise all vested Options within a set time period and sell all of their Shares on the same terms and conditions as applicable to the other shareholders selling their Company's ordinary shares as part of the Structural Change. Each Participant acknowledges and agrees that the Board shall be entitled to authorize any one of its members to sign share transfer deeds in customary form in respect of the Shares held by such Participant and that such share transfer deed shall bind the Participant.

- 12.3 **Liquidation.** In the event of the proposed dissolution or liquidation of the Company, all Options will expire immediately prior to the consummation of such proposed action, unless otherwise provided by the Board.

### 13. TAXES AND WITHHOLDING TAX

- 13.1 Approved Options and Un-approved Options shall be taxed in accordance with Section 102. For the avoidance of doubt it is clarified that any Option granted to a Consultant or a Controlling Shareholder or any Option granted to a Participant who is not an Israeli tax resident, shall not be subject to the provisions of Section 102 and shall be taxed in accordance with Applicable Law.
- 13.2 Any Tax imposed in respect of the Options and/or Shares, including, but not limited to, in respect of the grant of Options, and/or the exercise of Options into Shares, and/or the Transfer, waiver, or expiration of Options and/or Shares, and/or the sale of Shares, shall be borne solely by the Participants, and in the event of death by their heirs or transferees. The Company, the Affiliates, the Trustee (if applicable) or anyone on their behalf shall not be required to bear the aforementioned Taxes, directly or indirectly, nor shall they be required to gross up such Tax in the Participants' salaries or remuneration. The applicable Tax shall be deducted from the proceeds of sale of Shares or shall be paid to the Company, an Affiliate or the Trustee (if applicable) by the Participants, including, for the avoidance of doubt, in the event of a cashless exercise. Without derogating from the aforementioned, the Company, an Affiliate and the Trustee (if applicable) shall be entitled to withhold Taxes according to the requirements of any Applicable Laws, rules, and regulations, including withholding taxes at source.
- 13.3 The Company's or Trustee's (if applicable) obligation to deliver Shares upon exercise of an Option or to sell or transfer Shares is subject to payment (or provision for payment satisfactory to the Board and the Trustee (if applicable)) by the Participant of all Taxes due by him under any Applicable Law.
- 13.4 The Participants shall indemnify the Company and/or the applicable Affiliate and/or the Trustee (if applicable), immediately upon request, for any Tax (including interest and/or fines of any type and/or linkage differentials in respect of Tax and/or withheld Tax) for which the Participant is liable under any Applicable Law or under the Plan, and which was paid by the Company, the Affiliate or the Trustee (if applicable), or which the Company, the Affiliate or the Trustee (if applicable) are required to pay. The Company, the Affiliate and the Trustee (if applicable) may exercise such indemnification by deducting the amount subject to indemnification from the Participants' salaries or remunerations.
- 13.5 In respect to Un-approved Options, if the Participant is Terminated, the Participant shall extend to the Company or the applicable Affiliate a security or guarantee for the payment of Tax due in respect of such Option as required under Section 102.

14. **REGISTRATION OF THE SHARES ON A STOCK EXCHANGE**

- 14.1 Should reorganization or certain other arrangements regarding the Company's share capital be necessary prior to the registration of the Company's ordinary shares on a Stock Exchange, such arrangements or reorganization may be also carried out in respect of the Participants and their Options and/or Shares.
- 14.2 The Participant acknowledges that in the event that the Company's ordinary shares shall be registered for trading in any Stock Exchange, or in the event of a private offering of shares, the Participant's rights to sell the Shares may be subject to certain limitations (including a lock-up period), as will be requested by the Company or its underwriters, and the Participant unconditionally agrees and accepts any such limitations.
- 14.3 The Company does not undertake to cause the ordinary shares to be listed on a Stock Exchange, or that the registration of the ordinary shares for trade, if at all, shall take place within a certain period of time.

15. **THE RIGHTS ATTACHED TO THE SHARES**

- 15.1 **Equal Rights.** The Shares constitute part of the ordinary shares of the Company, and they shall have equal rights for all intents and purposes as the rights attached to the ordinary shares of the Company, subject to the provisions of this Plan and any Option Agreement. The Shares, being part of the ordinary shares of the Company, shall not be protected against dilution in any manner whatsoever, unless otherwise determined by the Board. It is hereby clarified that the Shares shall not constitute a separate class of shares, but shall be an integral part of the Company's ordinary shares.

Any change of the Company's Articles of Association, which may change the rights attached to the Company's ordinary shares, shall also apply to the Shares, and the provisions hereof shall apply with the necessary modifications arising from any such change.

The grant of Options and Shares under this Plan shall not restrict the Company in any way regarding future creation of additional and/or other classes of shares, including classes of shares, which may in any manner be preferred over the currently existing ordinary shares which are offered to Participants under this Plan. Subject to section 12.1 above, the grant of Options and Shares under this Plan shall not entitle any Participant to receive any compensation in the event of any change of the Company's capital.

- 15.2 **Dividend Rights.** No Participant shall have any rights to receive dividends in respect of Shares, until such Shares are issued to the Participant or the Trustee. Following the issuance of such Shares by the Company, such Shares will entitle the Participant to receive any dividend, to which other holders of ordinary shares in the Company are entitled.



15.3 **Right of First Refusal**

- 15.3.1 Notwithstanding anything to the contrary in the incorporation documents of the Company, none of the Participants shall have a right of first refusal in relation with any sale of shares in the Company.
- 15.3.2 Unless otherwise determined by the Board, until such time as the Company shall complete an IPO, a Participant shall not have the right to sell Shares issued upon the exercise of an Option within six (6) months and one day of the date of exercise of such Option or issuance of such Shares.
- 15.3.3 Sale of Shares by the Participant shall be subject to a right of first refusal as set forth in the incorporation documents of the Company or any shareholders, investors' rights, right of first refusal or similar agreement(s) by which some or all holders of ordinary shares of the Company are bound. In the event that the incorporation documents or such agreements of the Company do not contain any provision regarding rights of first refusal, then, unless otherwise determined by the Board, until such time as the Company shall complete an IPO, the sale of Share issuable upon the exercise of an Option shall be subject to a right of first refusal on the part of the Repurchaser(s).
- Repurchaser(s) means (i) the Company, if permitted by applicable law, (ii) if the Company is not permitted by applicable law, then any affiliate of the Company designated by the Board; or (iii) if no decision is reached by the Board, then the Company's then existing shareholders who hold more than 2% of the then issued and outstanding share capital of the Company (save, for avoidance of doubt, for other Participants who already exercised their Options), pro rata in accordance with their respective shareholding.
- The Participant shall give a notice of sale (hereinafter the "**Notice**") to the Company in order to offer the Shares to the Repurchaser(s).
- 15.3.4 The Notice shall specify the name of each proposed purchaser or other transferee (hereinafter the "**Proposed Transferee**"), the number of Shares offered for sale, the price per Share and the payment terms. The Repurchaser(s) will be entitled for thirty (30) days from the day of receipt of the Notice (hereinafter the "**Notice Period**"), to purchase all or part of the offered Shares on a pro rata basis based upon their respective holdings in the Company.
- 15.3.5 If by the end of the Notice Period not all of the offered Shares have been purchased by the Repurchaser(s), the Participant shall be entitled to sell all Shares at any time during the ninety (90) days following the end of the Notice Period on terms not more favorable than those set out in the Notice, provided that the Proposed Transferee agrees in writing that the provisions of this Section shall continue to apply to the Shares in the hands of such Proposed Transferee. Any sale of Shares issued under the Plan by the Participant that is not made in accordance with the Plan or the Option Agreement shall be null and void.
- 15.3.6 The Board shall be entitled not to approve and/or recognize a transfer of Shares if such a transfer has not been performed in accordance with the provisions of this section 15.3 or in the event that it has not been performed in accordance with the provisions of Section 102 and/or section 11 above.

15.3.7 In the event that the Participant's Shares shall be over-subscribed, each Repurchaser shall be entitled to purchase his pro-rate share of the Shares (calculated by dividing each acquiring Repurchaser's rates of holdings or beneficially ownership in the Company, by the aggregate rates of holdings or beneficially ownership in the Company of all the Repurchaser who wish to acquire the Shares).

15.3.8 Without derogating from the aforementioned, any sale of Shares in accordance with this section 15.3 shall be subject to the prior approval of the Board.

15.4 **Bring Along.** For the avoidance of doubt it is clarified that as part of the ordinary shares of the Company, Shares issued upon exercise of Options or in connection thereto shall be subject to any bring-along provision included in the incorporation documents of the Company or any shareholders agreement or similar agreement(s) by which some or all holders of ordinary shares of the Company are bound.

15.5 **Voting Rights.** No Participant shall have any rights to vote in the Company's meetings in respect of underlying Shares, until certificates in respect of such Shares will be issued to the Participant, or the Trustee. Following the issuance of such Shares certificates by the Company, the Participant shall have the same voting rights as other holders of ordinary shares in the Company do. Notwithstanding the aforesaid, and as long as the Company's ordinary shares are not traded on a Stock Exchange, the Participants shall be obliged to enter into voting agreements with the Company, and/or with certain shareholders of the Company, if so determined by the Board, and as included in the Option Agreement.

## 16. CHANGES TO THE PLAN

The Board shall be entitled, from time to time, to update and/or change the terms of this Plan, in whole or in part, at its sole discretion, provided that in the Board's opinion such a change shall not materially derogate from the rights attached to the Options and/or Shares already granted under this Plan, unless mutually agreed otherwise between the Participant and the Company. The Board shall be entitled to terminate this Plan at any time, provided that such termination shall not materially affect the rights of Participants, to whom Options have already been granted.

## 17. EFFECTIVE DATE AND DURATION OF THE PLAN

17.1 The Plan shall be effective as of the day it was adopted by the Board and shall terminate at the end of ten (10) years from such day of adoption.

17.2 The Company shall obtain the approval of the Company's shareholders for the adoption of this Plan or for any amendment to this Plan, if shareholders' approval is necessary or desirable to comply with any Applicable Law, including without limitation the securities laws of jurisdictions applicable to Options granted to Participants under this Plan, or if shareholders' approval is required by any authority or by any governmental agency or by any national securities exchange, including without limitation the US Securities and Exchange Commission.

17.3 Termination of the Plan shall not affect the Board's ability to exercise the powers granted to it hereunder with respect to Options granted under the Plan prior to the date of such termination.

18. **SUCCESSORS AND ASSIGNS**

The Plan and any Option granted thereafter shall be binding on all successors and assigns of the Company and a Participant, including, without limitation, the estate of such Participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the Participant's creditors.

19. **MISCELLANEOUS**

19.1 **Notices.** Notices and requests regarding this Plan shall be sent in writing by registered mail or by courier to the addresses of the Company and the Participant as follows: if to the Company: at its principal office, attention CEO; if to the Participant—to the Participant's address, as registered in the Company's registries. Such notices shall be deemed received at the addressee as follows: if sent by registered mail—within ten (10) business days following their being deposited for mailing at a post office in any jurisdiction, and if hand-delivered—on the day of delivery.

19.2 This Plan (together with any Option Agreement) constitutes all of the agreements and/or understandings between the Company and the Participants in connection with the grant of Options to Participants. Any representation and/or promise and/or undertaking made and/or given by the Company or by whosoever on its behalf, which has not been explicitly expressed herein, shall have no force and effect.

19.3 **Choice of Law.** Unless otherwise specified in a specific Option Agreement, this Plan shall be governed by and construed in accordance with the laws of Israel, without giving effect to principles of conflicts of law. The competent courts of Tel Aviv-Jaffa shall have exclusive jurisdiction to hear all disputes arising in connection with this Plan.

\* \* \* \* \*

Valens Semiconductor Ltd. – 2012 Option Plan

1. Name. This plan, as adopted by the Board of Directors of Valens Semiconductor Ltd. (the “Company”) on February 15, and as amended from time to time, shall be known as the “Valens Semiconductor Ltd. – 2012 Option Plan” (the “Plan”).

2. Purpose of the Plan. The purposes of this Plan are to enable the Company to link the compensation and benefits of individuals and entities providing services to the Company and/or its Affiliates with the success of the Company and with long-term shareholder value.

3. Headings and Definitions

3.1. The section headings are intended solely for the reader’s convenience and in no event shall they constitute a basis for the interpretation of the Plan.

3.2. In this Plan, the following terms shall have the meanings set forth beside them:

<i>“Affiliate”</i>	Corporate entities who are related to the Company by way of common ownership or control, as such term is defined in section 32(9) of the Ordinance, either directly or indirectly, either partially or entirely, including but not limited to any “employing company” and “employer” as defined in Section 102(a) of the Ordinance, and including, for the avoidance of doubt, Valens, Inc.;
<i>“Applicable Law”</i>	The legal requirements applicable to the administration of option plans, any applicable laws, rules and regulations of any country or jurisdiction where Options are granted under the Plan, as such laws, rules, regulations and requirements shall be in place from time to time including any Stock Exchange rules or regulations;
<i>“Approved Option”</i>	An Option granted under Section 102(b)(2) of the Ordinance, in accordance with the “capital gain tax route”, and other rights granted with respect to such Option;
<i>“Board”</i>	The Company’s Board of Directors, or, subject to Applicable Law and the Company’s incorporation documents, including the Articles of Association, any committee empowered by the Board for the purpose of implementation of this Plan (or any aspect thereof);

*“Cause”*

Irrespective of, and without derogating from, the meaning of such definition under any other document held by a Participant and unless otherwise determined by the Board and set forth in the Participant’s Option Agreement, the term Cause shall include any of the following-

- (a) A material breach of the employment or engagement agreement between the Company or an Affiliate and a Participant, including but not limited to, a breach of any confidentiality duty of a Participant (including in regards to the confidentiality of this Plan and any grant made thereunder), inappropriate use of confidential information of the Company or an Affiliate or an event of breach of trust or breach of any non-competition obligation of a Participant;
- (b) Any act which constitutes a breach of a Participant’s fiduciary duty towards the Company or an Affiliate, including without limitation disclosure of confidential information of the Company or an Affiliate and acceptance or solicitation to receive unauthorized or undisclosed benefits, irrespective of their nature, or funds or promises to receive either, from individuals, Consultants or corporate entities that the Company or an Affiliate does business with;
- (c) Any act of fraud by a Participant or embezzlement of funds of the Company or an Affiliate;
- (d) Any conduct or omission by, or state of affairs related to, the Participant reasonably determined by the Board to be materially detrimental to, or against the interests of, the Company or an Affiliate;
- (e) Any conviction of any felony involving moral turpitude or affecting the Company or an Affiliate;
- (f) Circumstances justifying the revocation and/or reduction of a Participant’s entitlement to severance pay under Applicable Law, including where relevant, pursuant to sections 16 or 17 of the Severance Pay Law, 1963; or
- (g) Any other reason which is be defined as Cause in the Participant’s personal employment or service agreement with the Company or an Affiliate;

For the avoidance of doubt it is clarified that the determination as to whether a Participant is being terminated for Cause shall be made in good faith by the Board and shall be final and binding on the Participant;

*“Code”*

The United States Internal Revenue Code of 1986, as amended;

*“Company”*

Valens Semiconductor Ltd., a company incorporated under the laws of the state of Israel, or any Successor Company (if not the Company) resulting from a merger or consolidation of the Company with or into another corporate entity, or any company which assumes the Plan in conjunction with any M&A Transaction or Structural Change;

*“Consultant”*

Shall mean any person or entity, except an Employee, engaged by the Company or an Affiliate, in order to render services to such company, including any individual engaged by an entity providing services to the Company or an Affiliate as aforementioned;

<i>“Controlling Shareholder”</i>	A controlling shareholder of the Company as defined in section 32(9) of the Ordinance, as amended from time to time;
<i>“Employee”</i>	Shall mean any person, who has signed an employment agreement and has commenced employment with the Company or any Affiliate, or anyone who is on the payroll of such company, and specifically excluding anyone who may under Applicable Law be deemed an employee of the Company or an Affiliate if an employment agreement was not signed and he is not on the payroll of such company. Solely in respect of Approved Options, this term shall include any officer or a member of the board of directors of such company all in accordance with Section 102;
<i>“Exercise Price”</i>	Shall mean the consideration required to be paid by a Participant in order to exercise one Option;
<i>“Expiration Date”</i>	With respect to an Option, the earlier of (i) the time such Option is fully exercised, (ii) ten (10) years from the Grant Date of such Option, (iii) five (5) years from the Grant Date of such Option in the case of an Incentive Stock Option granted to a person who directly or by attribution owns more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any “parent corporation” or “subsidiary corporation” (as such terms are defined in Code Section 424) or (iv) the time on which such Option expires in accordance with sections 9 and 12 below;
<i>“Fair Market Value”</i>	<p>Shall mean, as of any date, the value of an ordinary share of the Company determined as follows:</p> <p>(i) If the ordinary shares are listed on any established Stock Exchange, the Fair Market Value shall be the closing sales price for such ordinary shares (or the closing bid, if no sales were reported), as quoted on such Stock Exchange for the last market trading day prior to the time of determination;</p> <p>(ii) If the ordinary shares are regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value shall be the mean between the high bid and low asked prices for the ordinary shares on the last market trading day prior to the day of determination;</p> <p>(iii) In the absence of any of the above, the Fair Market Value thereof shall be determined in good faith by the Board of Directors of the Company;</p> <p>For the avoidance of doubt, and where applicable, the above definition of Fair Market Value shall not apply for the purpose of determining the tax liability pursuant to Section 102(b)(3) of the Ordinance;</p>

<i>"Grant Date"</i>	The date of the Board resolution approving the grant of the Options, unless otherwise determined by the Board;
<i>"Holding Period"</i>	The holding period provided under Section 102 in respect of the "capital gain tax route" or under a tax ruling by the Israeli Tax Authority;
<i>"Incentive Stock Option"</i>	An Option that is an employee incentive stock option, as described in Code Section 422(b).
<i>"Israeli Employee"</i>	An Employee of the Company or of an Israeli resident Affiliate, who is an Israeli tax resident and who is not a Controlling Shareholder at the time of grant, or as a consequence of the grant, as stated in Section 102;
<i>"IPO"</i>	(as defined in and determined pursuant to the Articles of Association of the Company as amended from time to time).
<i>"M&amp;A Transaction"</i>	Any Acquisition and/or Asset Transfer (or any equivalent successor definitions) as defined in and determined pursuant to the Articles of Association of the Company as amended from time to time, including, for the avoidance of doubt, any of the following, but excluding any Structural Change or Spin-off Transaction:  (a) A sale of all or substantially all the assets of the Company and its subsidiaries taken as a whole, or the sale or disposition (whether by merger or otherwise) of one or more subsidiaries of the Company if substantially all of the assets of the Company and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries;  (b) A merger of the Company with or into another entity, including a reverse triangular merger; or  (c) A sale of all or substantially all of the shares of the Company to a third party, whether by a single transaction or a series of related transactions which occur within the scope of the same acquisition agreement;
<i>"Non-Approved 102 Option"</i>	An Option which is governed by Section 102(c) of the Ordinance;
<i>"Nonstatutory Stock Option"</i>	An Option granted to a U.S Employee that is not designated as an Incentive Stock Option or is not described in Code Sections 422(b) or 423(b).
<i>"Ordinance"</i>	The Israeli Income Tax Ordinance [New Version], 1961, as amended from time to time;

<i>“Option”</i>	An option to purchase one Share, granted to a Participant, subject to the provisions of this Plan and the applicable Option Agreement;
<i>“Option Agreement”</i>	A written agreement between the Company and a Participant, or a notice provided by the Company to a Participant, setting forth the terms and conditions under which Options are granted to such Participant;
<i>“Participant”</i>	Shall mean anyone to which an Option was granted in accordance with section 5 of the Plan;
<i>“Plan”</i>	Shall mean this Valens Semiconductor Ltd. – 2012 Option Plan, including any amendments thereto;
<i>“Section 102”</i>	Section 102 of the Ordinance and the Israeli Income Tax Rules (Tax Relief in Issuance of Shares to Employees) 2003, as amended from time to time;
<i>“Share”</i>	An ordinary share of the Company, nominal value NIS0.01 each, which is issued or issuable to a Participant upon exercise of an Option;
<i>“Spin-off Transaction”</i>	Any transaction in which assets of the Company are transferred or sold to a company or corporate entity in which the shareholders of the Company hold, as of the consummation of such transaction, equivalent ownership stakes; thus, as the moment of spin-off, the ownership of the Company and of the spun-off company are identical;
<i>“Stock Exchange”</i>	Any stock exchange on which ordinary shares of the Company are listed, or such other market or a national market system on which the Company’s ordinary shares’ prices are regularly quoted;
<i>“Structural Change”</i>	Any re-domestication of the Company, share flip, creation of a holding company for the Company which will hold substantially all of the shares of the Company or any other transaction involving the Company, in which the shares of the Company outstanding immediately prior to such transaction continue to represent, or are converted into or exchanged for shares that represent, immediately following such transaction, at least a majority, by voting power, of the share capital of (1) the surviving, acquiring or resulting corporation, or (2) if the surviving, acquiring or resulting corporation is a wholly owned subsidiary of another corporation immediately following such transaction—the parent corporation of such surviving, acquiring or resulting corporation;
<i>“Successor Company”</i>	Shall mean the acquirer or acquirers in a M&A Transaction or a Structural Change, or the surviving entity (if not the Company) in any merger or consolidation of the Company with or into another corporate entity;



<i>“Tax”</i>	Any applicable tax and other compulsory payments such as social security and health tax contributions required to be paid under any applicable law in relation to the Options or the rights deriving there-from;
<i>“Termination”</i>	<p>For an Employee, the termination of employment, and for a Consultant, the expiration, or termination of such person’s consulting, advisory or service provision relationship with the Company or an Affiliate, or the occurrence of any termination event as set forth in such person’s Option Agreement;</p> <p>For the purpose of this plan the following shall not be considered as Termination (i) for an Employee – paid vacation, sick leave, paid maternity leave, infant care leave, medical emergency leave, military reserve duty, or any other leave of absence authorized in writing by the Board, or a transfer of an Employee between the Company and/or any of its Affiliates or between any two Affiliates; and (ii) for a Consultant- any temporary interruption in such person’s availability to provide services to the Company and/or an Affiliate, which has been authorized in writing by board of the Company and/or the Affiliate, as the case may be, prior to its commencement;</p> <p>Termination shall not include any transfer of a Participant between the Company and any Affiliate or between Affiliates, nor shall it include a change of Participant’s engagement status with the Company or an Affiliate from Employee to Consultant or vice versa;</p>
<i>“Termination Date”</i>	<p>With regard to any Employee, the first date following the Date of Grant on which there are no longer employment relations between such Employee and the Company or an Affiliate, for any reason whatsoever; however for the purpose of Termination for Cause, the Termination Date is the date on which a notice regarding such termination was sent by the Company or an Affiliate to the Employee;</p> <p>With regard to any Consultant, the earlier of (i) the first date following the Date of Grant on which there are no longer consulting, advisory or service provisions relations between the Consultant and the Company or an Affiliate; or (ii) the date on which a notice of termination of the agreement between the Consultant and the Company or an Affiliate was sent by the Company or an Affiliate, or by the Consultant, to the other party;</p>
<i>“Transfer”</i>	With respect of any Option or Share – the sale, assignment, transfer, conveyance, hypothecation, pledge, mortgage, grant of any security interest, or other disposition thereof or the grant of any right to a third party thereto;

<i>“Trustee”</i>	Any trustee appointed by the Company in accordance with Section 102 and approved by the Israeli Tax Authority;
<i>“U.S. Employee”</i>	An individual who is a common-law employee of the Company or of a United States-resident Affiliate or of any “parent corporation” or “subsidiary corporation” (as such terms are defined in Code Section 424) and who is a United States tax resident;
<i>“Vesting Date”</i>	The date upon which the Option becomes exercisable, as determined in accordance with this Plan and set forth in the Option Agreement.

#### 4. Administration of the Plan

4.1. The Board shall have the power to administer the Plan.

4.2. Subject to the provisions of the Plan, applicable law and the Company’s incorporation documents, the Board shall have the authority, at its discretion: (i) to grant Options to Participants; (ii) to determine the terms and provisions of each Option granted (which need not be identical), including, but not limited to, the number of Options to be granted to each Participant, provisions concerning the time and the extent to which the Options may be exercised, the underlying Shares sold and the nature and duration of restrictions as to the Transferability of Options and/or Shares; (iii) to amend, modify or supplement (with the consent of the applicable Participant(s), if required in accordance with Section 18 below) the terms of each outstanding Option; (iv) to interpret the Plan; (v) to prescribe, amend, and rescind rules and regulations relating to the Plan, including the form of Option Agreements and rules or sub-plan governing the grant of Options in jurisdictions in which the Company or any Affiliate operate; (vi) to authorize conversion or substitution under the Plan of any or all Options or Shares and to cancel or suspend Options, as necessary, provided that, unless consent is received from the Participants, the interests of the Participants are not materially harmed, and provided further that any conversion or substitution of any Incentive Stock Options pursuant to any M&A Transaction, Spin-off Transaction or Structural Change shall conform to the requirements of Code Sections 424(a) and 409A; (vii) to accelerate or defer (with the consent of the Participant) the right of a Participant to exercise in whole or in part, any previously granted Options; (viii) to authorize any person to execute on behalf of the Company any instrument required to effectuate the grant of an Option previously granted by the Board; and (ix) to make all other determinations deemed necessary or advisable for the administration of the Plan.

4.3. This Plan shall apply to grants of Options made following the adoption of this Plan by the Board.

4.4. All decisions, determinations, and interpretations of the Board shall be final and binding on all Participants unless otherwise determined by the Board.

5. Eligibility. Options may be granted to Employees or Consultants, provided that if services have not commenced, the grant will be made subject to commencement of actual services; An Approved Option and a Non-Approved Option may only be granted to Israeli Employees. Incentive Stock Options may only be granted to U.S. Employees.

#### 6. Shares Reserved for the Plan.

6.1. The Company may designate Options granted to Israeli Employees pursuant to Section 102 as Non-Approved Options or Approved Options.

6.2. Subject to this Section 6.2 and 12.1, the total number of Shares reserved and available for grant and issuance pursuant to this Plan will be 69,672 Shares, plus (i) any Shares that are subject to issuance upon exercise of an option previously granted under the Valens Semiconductor Ltd. – 2007 Option Plan (“Prior Plan”), which, at any time after adoption of this Plan, cease to be subject to such option for any reason other than exercise of such option, plus (ii) any Shares issued under the Prior Plan and later repurchased by the Company pursuant to any repurchase right which the Company may have, plus (iii) shares that are subject to options previously granted under the Prior Plan that are used to pay the exercise price of an option or to satisfy the Tax obligations related to an option. The Company during the term of this Plan will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the vested portion of Options granted under the Plan, subject to any adjustment made to the share capital of the Company by way of share split, reverse share split, distribution of share dividend or similar recapitalization events, at any time hereafter. The Shares may be authorized but unissued ordinary shares, or reacquired ordinary shares of the Company. If an Option should expire or become un-exercisable for any reason without having been exercised in full Shares that were subject thereto shall, unless the Plan shall have been terminated, become available for future grant under the Plan. Shares issued under the Plan and later repurchased by the Company pursuant to any repurchase right which the Company may have, shall be available for future grant under the Plan. Shares used to pay the exercise price of an Option or to satisfy the Tax obligations related to an Option will become available for future grant under the Plan.

## 7. Options

### 7.1. Grant

7.1.1. The Board may, from time to time at its sole discretion, grant Options to Participants. The Options granted pursuant to the Plan, shall be evidenced by a written Option Agreement. Each Option Agreement shall state, among other matters, the number of Options granted, the Vesting Dates, the Exercise Price, the tax route and such other terms and conditions as the Board at its discretion may prescribe, provided that they are consistent with this Plan.

7.1.2. Options which are Approved Options, as determined in the Option Agreement, and any Shares issued in respect of such Approved Option shall be subject to the Trustee’s trusteeship, as provided in section 11 below. Any grant of an Approved Option shall be subject to compliance with the conditions of Section 102 and shall be granted only 30 days or more after the submission of the Plan for approval by the Israeli Tax Authority.

### 7.2. Vesting

7.2.1 The Board shall set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of Options that will vest and become exercisable. The Board may set vesting criteria based upon continued engagement with the Company or any Affiliate or based upon both continued engagement and the achievement of Company-wide, business unit, or individual goals, or any other condition as determined by the Board in its discretion. Unless otherwise determined by the Board, all Options granted under this Plan shall vest over a 4-year period, with 25% thereof vesting on the end of a 12-month period following the date of grant (or the date of commencement of employment or service relationship, as applicable), and the remaining 75% thereof vesting in 12 equal portions at the end of each successive 3-month period thereafter. The vesting conditions and schedule shall be set in the applicable Option Agreement. No Option shall be exercised after the Expiration Date. The vesting provisions of individual Options may vary.

7.2.2 Unless determined otherwise by the Board, the vesting of the Options shall be postponed during any un-paid leave of absence. Upon return to service, the vesting shall continue and the Vesting Dates shall be postponed in accordance with the period of un-paid leave. Despite the aforementioned, the following shall not postpone the vesting of the Options: paid vacation, sick leave, paid maternity leave, infant care leave, medical emergency leave, military reserve duty.

7.2.3 The vesting of the Options shall continue upon any transfer of a Participant between the Company and any Affiliate or between Affiliates, as well as upon any change of Participant's engagement status with the Company or an Affiliate from Employee to Consultant or vice versa.

7.3. An Option may be subject to such other terms and conditions, not inconsistent with the Plan, on the time or times when it may be exercised as the Board may deem appropriate.

#### 7.4. Exercise of Options

7.4.1. An Option shall be exercised by submission to the Company of a notice of exercise, in a form set by the Company. The exercise of an Option shall occur on such time on which a notice of exercise has been received by the Company accompanied by payment in full of the Exercise Price payable therefor, and as soon as practicable thereafter, and subject to the provisions of section 8.3 below, the Company will issue the Share(s) underlying such exercised Option, provided that the Shares so issued shall not be delivered to the Participant or any third party (other than the Trustee, if applicable) unless and until all applicable Tax was paid to the Trustee's (if applicable) and the Company's full satisfaction and subject to compliance with Applicable Law.

7.4.2. Except as otherwise provided in the Plan or in an Option Agreement, an Option may be exercised in full or in part, subject to the Expiration Date, provided it is not exercised for a fraction of a Share, as further detailed in section 8.3 below.

7.4.3. Notices of exercise of Options, which are submitted after the Expiration Date, or which relate to Options that have not yet vested, or which do not contain all of the details required by the exercise form, shall not be accepted and shall have no force whatsoever.

7.4.4. The Participant shall sign any document required under any Applicable Law or by the Company or the Trustee for the purposes of issuance of the Shares.

7.4.5. As a condition to the exercise of an Option, the Company may require the person exercising such Option to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

#### 7.5. Consideration

7.5.1. The Exercise Price of each Share subject to an Option shall be determined by the Board in its sole and absolute discretion in accordance with Applicable Law, subject to any guidelines as may be determined by the Board from time to time. Each Option Agreement will contain the Exercise Price determined for each Option covered thereby. The Exercise Price may or may not be equal to the Fair Market Value of the ordinary Shares of the Company, and any evaluation executed in relation to such shares shall not obligate the Company when determining the Exercise Price of any Option.

7.5.2. Notwithstanding the foregoing, each Incentive Stock Option shall have its Exercise Price set at or above the Fair Market Value per Share purchasable under such Option (determined as of the Grant Date of such Option) and shall otherwise be subject to the terms and conditions required in the definition of an Incentive Stock Option and required pursuant to Code Section 422 and the applicable US Tax Regulations thereunder; provided, however, that the Exercise Price of an Incentive Stock Option granted to a person who directly or by attribution owns more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any "parent corporation" or "subsidiary corporation" (as such terms are defined in Code Section 424) will not be less than one hundred ten percent (110%) of the Fair Market Value of the Shares on the date of grant.

7.5.3. Notwithstanding the foregoing, each Nonstatutory Stock Option shall have its Exercise Price set at or above the Fair Market Value per Share purchasable under such Option (determined as of the Grant Date of such Option) and otherwise shall be priced and shall be subject to such terms and conditions as required under Code Section 409A and the applicable US Tax Regulations and any applicable guidance thereunder in order to exempt such Option (to the maximum extent possible) from the requirements of Code Section 409A.

7.5.4. The Exercise Price shall be paid in cash or cheque at the time the Option is exercised, or by any other means as determined by the Board. Should the Company's ordinary shares be listed for trade on a Stock Exchange, the Board may consider allowing a cashless exercise, or any other exercise method, subject to the provisions of Applicable Law. If, as of the date of exercise of an Option the Company is then permitting cashless exercises, the Participants will be able to engage in a "same-day sale" cashless brokered exercise program, involving one or more brokers, through such a program that complies with the Applicable Laws (including without limitation the requirements of Regulation T and other applicable regulations promulgated by the Federal Reserve Board) and that ensures prompt delivery to the Company of the amount required to pay the Exercise Price and any Tax, provided, however, that even if an Option is designated as an Incentive Stock Option in the Option Agreement, it will cease to qualify for favorable tax treatment as an Incentive Stock Option in the event the cashless-exercise right is not set forth in the original Option Agreement for such Incentive Stock Option.

7.5.5. The Exercise Price shall be denominated in the currency of the primary economic environment of, at the Company's discretion, either the Company or the Participant (that is the functional currency of the Company or the currency in which the Participant is paid).

8. Terms and Conditions of the Options. Options granted under the Plan shall be evidenced by the related Option Agreement and shall be subject to the following terms and conditions and to such other terms and conditions included in the Option Agreement not inconsistent therewith, as the Board shall determine:

8.1. Non Transferability of Options. Unless otherwise determined by the Board, an Option shall not be Transferable by the Participant other than in accordance with section 9.2.1.2 below. Options or rights arising therefrom shall not be subject to mortgage, attachment or other willful encumbrance, and no power of attorney shall be issued in respect thereof, whether such enter into force immediately or at a future date.

8.2. One Time Benefit. The Options and underlying Shares are extraordinary, one-time benefits granted to the Participants, and are not and shall not be deemed a salary component for any purpose whatsoever, including in connection with calculating severance compensation under any Applicable Law.

8.3. Fractions. An Option may not be converted into a fraction of a Share. In lieu of issuing fractional Shares, on the vesting of a fraction of an Option, the Company shall convert any such fraction of an Option, which represents a right to receive 0.5 or more of a Share, to one Share and shall extinguish any such fraction of an Option, which represents a right to receive less than 0.5 of a Share without issuing any Shares.

8.4. Term. No full or partial exercise of an Option shall be carried out following the Expiration Date of such Option.

9. Termination of Employment or Engagement

9.1. Unvested Options. Unless otherwise determined by the Board, in the case of Termination, any Option or portion thereof that was not vested as of the Termination Date shall immediately expire on the Termination Date.

9.2. Vested Options

9.2.1. Termination other than for Cause

9.2.1.1. Unless otherwise determined by the Board, in the case of Termination other than for Cause, any Option or portion thereof that is vested as of the Termination Date may be exercised but only within such period of time ending on the earlier of (i) ninety (90) days following the Termination Date, or (ii) the Expiration Date, but only to the extent to which such Option was exercisable at the time of the Termination Date. If, after the Termination Date, the Participant does not exercise his or her Option within the time specified above or in the Option Agreement, the Option shall expire.

9.2.1.2. Unless otherwise determined by the Board, in the event of (i) Termination as a result of the Participant's death or disability or (ii) the death of Participant within the period stated in section 9.2.1.1, then the Option may be exercised (to the extent exercisable as of the Termination Date or date of death, as the case may be) by the Participant (in the event of disability), or by the Participant's legal guardian, the Participant's estate, by a person who acquired the right to exercise the Option by bequest or inheritance, or by a person designated to exercise the Option upon the Participant's death (the "Assignees"), but only within the period ending on the earlier of (1) the date that is twelve (12) months following such termination Date or the date of death (as the case may be) (or such longer or shorter period specified in the Option Agreement; provided, however that such period shall not be less than 6 months if such Option is granted pursuant to the "U.S. Sub-Plan to the Valens Semiconductor Ltd. – 2012 Option Plan") or (2) the Expiration Date. If, after death or termination due to disability (as the case may be), the Option is not exercised within the time specified herein, the Option shall expire. The Transfer of Options to any Assignee shall be subject to the provision of a written notice to the Company and to the execution by the Assignee of any documents required by the Company. All of the terms of any Option, whether in this Plan, the Option Agreement and/or any other document in respect of such Option, shall be binding upon the Assignees.

9.2.1.3. If the exercise of an Option following the Termination Date would be prohibited at any time solely because the issuance of Shares would violate requirements of any Applicable Law, then the Option shall expire at the end of the applicable periods set forth in sections 9.2.1.1 or 9.2.1.2 above, as applicable, during which the exercise of the Option would only be made in a manner (if any) not in violation of such requirements.

9.2.1.4. It is clarified that during such periods following the Termination Date the Participant's entitlement to Options shall not continue to vest.

9.2.1.5. The Board shall have the sole authority to extend the exercise periods detailed in sections 9.2.1.1 – 9.2.1.3 above at its sole discretion.

9.2.2. Termination for Cause. If a Participant's employment or engagement with the Company is terminated for Cause, any Option or portion thereof that has not been exercised as of the Termination Date shall immediately expire on the Termination Date.

9.3. No Participant shall be entitled to claim against the Company that he or she was prevented from continuing to vest Options as of the Termination Date. Such Participant shall not be entitled to any compensation in respect of the Options which would have vested in his favor had such Participant's employment or engagement with the Company not been terminated.

10. No Right to Employment, Service, Options or Shares. The grant of an Option, the vesting of any Option or the issuance of a Share under the Plan shall impose no obligation on the Company or an Affiliate to continue the employment of any Employee or the engagement with any Consultant and shall not lessen or affect the Company's or an Affiliate's right to terminate the employment or service relationship of such Participant at any time and/or for any or no reason with or without Cause, even if such Termination is immediately prior to the vesting of any Option. No Participant or other person shall have any claim to be granted any Options or to the vesting of any Options, whether expired immediately following grant or prior to vesting. There is no obligation for uniformity of treatment of Participants, or holders or beneficiaries of Options and the terms and conditions of Options and the Board's determinations and interpretations with respect thereto need not be the same with respect to each Participant (whether or not such Participants are similarly situated).

Nothing contained in the Plan shall prevent the Company from adopting, adjusting or continuing in effect compensation arrangements, which may, but need not, provide for the grant of Options or Shares.

#### 11. Trust

11.1. Approved Options and any Shares issued in connection with such Approved Options shall be held by the Trustee for the benefit of the Participant, in accordance with the provisions of Section 102 in the "capital gain tax route". Any grant and any exercise of an Option or sale or transfer of a Share shall be notified to the Trustee.

11.2. The validity of any order given to the Trustee by a Participant shall be subject to approval of such order by the Company. The Company does not undertake to approve orders given by any Participant to the Trustee within any period of time.

11.3. Subject to the provisions of this Plan, the Approved Options and any Shares issued in connection with such Approved Options shall not be released from the control of the Trustee nor shall they be Transferred unless the Company and the Trustee are satisfied that the full amounts of Tax due by the applicable Participant have been paid or will be paid.

11.4. Subject to the provisions of Section 102, a Participant shall not Transfer or release from the control of the Trustee any Approved Option or any Share issued in connection with such Approved Options, until the lapse of the Holding Period. Notwithstanding the above, if any such release or Transfer occurs during the Holding Period, the sanctions under Section 102 shall apply to and shall be borne by such Participant.

11.5. As long as the Approved Options and any Shares issued in connection with such Approved Options are held by the Trustee for the benefit of the Participant, all rights of the Participant over the Approved Options and Shares cannot be Transferred other than by will or laws of descent and distribution.

11.6. Without derogating from the aforementioned, the Board shall have the authority to determine the specific procedures and conditions of the trusteeship with the Trustee in a separate agreement between the Company and the Trustee, all subject to Section 102.

11.7. Should the Approved Options or any Shares issued in connection with such Approved Options be transferred by power of a last will or under laws of decent, the provisions of Section 102 shall apply to the heirs or transferees of the deceased Participant.

11.8. Approved Options that do not comply with the requirements of Section 102 shall be considered Non-Approved 102 Options or Options subject to tax under Section 3(i) of the Ordinance.

## 12. Adjustments to the Shares subject to the Plan

12.1. Adjustment Due to Change in Capital. If the number or class of ordinary shares of the Company shall at any time be changed or exchanged by declaration of a share dividend (bonus shares), share split, combination or exchange of shares, recapitalization, or any other like event by or of the Company, and as often as the same shall occur, then the number and class of the Shares underlying the Options subject to the Plan and the Exercise Price of the Options shall be appropriately and equitably adjusted so as to maintain the proportionate equity portion represented by the Options and the total Exercise Price of the Options as of immediately prior to such change or exchange, provided, however, that no adjustment shall be made by reason of the distribution of subscription rights (rights offering) on outstanding ordinary shares or other issuance of shares by the Company. Fractions of shares shall be dealt with in accordance with the provisions of section 8.3 above. Upon happening of any of the foregoing, the class and aggregate number of Shares underlying the Options issuable pursuant to the Plan under section 6 above, shall be appropriately adjusted by the Board, whose determination in that respect shall be final, binding, and conclusive. Except as expressly provided herein, no issuance by the Company of shares of any class, or securities convertible into shares of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares underlying an Option. Any adjustment according to this section shall be subject to the receipt of a tax ruling or approval from the tax authorities, if and as necessary.

12.2. Adjustment Due to a Structural Change. In the event of a Structural Change, the Shares underlying the Options subject to the Plan shall be exchanged or converted into shares of the Company or Successor Company in accordance with the exchange effectuated in relation to the ordinary shares of the Company, and the Exercise Price and quantity of shares shall be adjusted in accordance with the terms of the Structural Change. The adjustments required shall be determined in good faith solely by the Board.

12.3. Reserved.

12.4. M&A Transaction.

12.4.1 Without derogating from the Board's general power under the Plan, in the event of any M&A Transaction, the Board shall be entitled (but not obliged), at its sole discretion, to determine any of the following: (i) provide for an assumption or exchange of Options and/or Shares for options and/or shares and/or other securities or rights of the Successor Company or parent or affiliate thereof; and/or (ii) provide for an exchange of Options or Shares for a monetary compensation



(including for avoidance of doubt a cash-out of the Options for the net value); and/or (iii) determine that all unvested Options and un-exercised vested Options shall expire on the date of such M&A Transaction; and/or (iv) determine that the exchange, assumption, conversion or purchase detailed above will be made subject to any payment or escrow arrangement, or any other arrangement determined within the scope of the M&A Transaction in relation to the ordinary shares of the Company. In the case of assumption and/or substitution of Options, appropriate adjustments shall be made so as to reflect such action and all other terms and conditions of the Option Agreements shall remain unchanged, including but not limited to the vesting schedule, all subject to the determination of the Board, which determination shall be at its sole discretion and final (except that if required by Applicable Laws, the exercise price and the number and nature of shares issuable upon exercise of any such Option, or any award that is subject to Section 409A of the Code, will be adjusted appropriately pursuant to Sections 424(a) and 409A of the Code). The grant of any substitutes for the Options and/or Shares to Participants further to an M&A Transaction, as provided in this section, shall be considered as full compliance with the terms of this Plan. The value of the exchanged Options and/or Shares pursuant to this section 12.4 shall be determined in good faith solely by the Board, based on the Fair Market Value, and its decision shall be final and binding on all the Participants.

Unless determined otherwise by the Board of Directors, and without derogating from the aforementioned, any Options not assumed or exchanged for options and/or shares and/or other securities or rights or not cashed-out, shall expire immediately prior to the consummation of the M&A Transaction.

12.4.2 For the purposes of this section 12.4, the mechanism for determining the assumption or exchange as aforementioned shall be agreed upon between the Board and the Successor Company.

12.4.3 Without derogating from the above, in the event of a M&A Transaction the Board shall be entitled, at its sole discretion, to require the Participants to exercise all vested Options within a set time period and sell all of their Shares on the same terms and conditions as applicable to the other shareholders selling their Company's ordinary shares as part of the M&A Transaction. Each Participant acknowledges and agrees that the Board shall be entitled to authorize any one of its members to sign share transfer deeds in customary form in respect of the Shares held by such Participant and that such share transfer deed shall bind the Participant.

12.4.4 Despite the aforementioned, if and when the method of treatment of Options within the scope of an M&A Transaction determined according to the above will—in the sole opinion of the Board—prevent the M&A Transaction from occurring, or materially risk the M&A Transaction, the Board may determine different treatment for different Options held by Participants such that not all Options will be treated equally within the scope of the M&A Transaction.

12.4.5 In the event in which the exercise price of the Options is lower than the per-share value of the shares of the Company in such an M&A Transaction ("out-of-the-money options"), the Board shall be entitled to cancel and terminate such Options effective upon consummation of the M&A Transaction without consideration.

12.4.6 In the event in which the Options shall be cancelled upon the M&A Transaction, the Company shall provide notice to such Participants in such manner as notice is provided regarding the M&A Transaction to any other shareholders of the Company not represented in the Board. Such notice shall be sent to the last known address of the Participants according to the records of the Company. The Company shall not be under any obligation to ensure that such notice was actually received by the Participants.

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12.5. Liquidation. In the event of the proposed dissolution or liquidation of the Company, all Options will expire immediately prior to the consummation of such proposed action.

12.6. The Participants shall execute any documents required by the Company or any Successor Company or parent of affiliate thereof in order to affect any of the actions determined within the scope of this section 12. The failure to execute any such document may cause the expiration and cancellation of any Option held by such Participant, as determined by the Board in its sole and absolute discretion.

### 13. Taxes and Withholding Tax

13.1. Approved Options and Non-Approved 102 Options shall be taxed in accordance with Section 102. For the avoidance of doubt it is clarified that any Option granted to a Consultant or a Controlling Shareholder or any Option granted to a Participant who is not an Israeli tax resident, shall not be subject to the provisions of Section 102 and shall be taxed in accordance with Applicable Law.

13.2. Any Tax imposed in respect of the Options and/or Shares, including, but not limited to, in respect of the grant of Options, and/or the exercise of Options into Shares, and/or the Transfer, waiver, or expiration of Options and/or Shares, and/or the sale of Shares, shall be borne solely by the Participants, and in the event of death by their heirs or transferees. The Company, the Affiliates, the Trustee (if applicable) or anyone on their behalf shall not be required to bear the aforementioned Taxes, directly or indirectly, nor shall they be required to gross up such Tax in the Participants' salaries or remuneration. At the Company's discretion, the applicable Tax shall be deducted from the Participant's payroll or proceeds of sale of Shares, or (ii) paid by the Participant to the Company, an Affiliate or the Trustee (if applicable). Without derogating from the aforementioned, the Company, an Affiliate and the Trustee (if applicable) shall be entitled to withhold Taxes according to the requirements of any Applicable Laws, rules, and regulations, and to deduct any Taxes from payments otherwise due to the Participant from the Company or an Affiliate (if applicable).

13.3. The Company's or Trustee's (if applicable) obligation to deliver Shares upon exercise of an Option or to sell or transfer Shares is subject to payment (or provision for payment satisfactory to the Board and the Trustee (if applicable)) by the Participant of all Taxes due by him under any Applicable Law.

13.4. The Participants shall indemnify the Company and/or the applicable Affiliate and/or the Trustee (if applicable), immediately upon request, for any Tax (including interest and/or fines of any type and/or linkage differentials in respect of Tax and/or withheld Tax) for which the Participant is liable under any Applicable Law or under the Plan, and which was paid by the Company, the Affiliate or the Trustee (if applicable), or which the Company, the Affiliate or the Trustee (if applicable) are required to pay. The Company, the Affiliate and the Trustee (if applicable) may exercise such indemnification by deducting the amount subject to indemnification from the Participants' salaries or remunerations.

13.5. In respect to Non-Approved 102 Options, if there occurs a Termination of the Participant's service to or employment with the Company or an Affiliate, the Participant shall extend to the Company or the applicable Affiliate a security or guarantee for the payment of Tax due in respect of such Option as required under Section 102.

### 14. Registration of the Shares on a Stock Exchange

14.1. Should reorganization or certain other arrangements regarding the Company's share capital be necessary prior to the registration of the Company's ordinary shares or their respective depository receipts on a Stock Exchange, such arrangements or reorganization may be also carried out in respect of the Participants and their Options and/or Shares.

14.2. The Participant acknowledges that in the event that the Company's ordinary shares or their respective depositary receipts shall be registered for trading in any Stock Exchange, or in the event of a private offering of shares, the Participant's rights to sell the Shares may be subject to certain limitations (including a lock-up period), as will be requested by the Company or its underwriters, and the Participant unconditionally agrees and accepts any such limitations.

14.3. The Company does not undertake to cause the ordinary shares or the Shares to be listed on a Stock Exchange, or that the registration of the ordinary shares or the Shares for trade, if at all, shall take place within a certain period of time.

#### 15. The Rights Attached to the Shares

15.1. Equal Rights. The Shares constitute part of the ordinary shares of the Company, and they shall have equal rights for all intents and purposes as the rights attached to the ordinary shares of the Company, subject to the provisions of this Plan and any Option Agreement. The Shares, being part of the ordinary shares of the Company, shall not be protected against dilution in any manner whatsoever, unless otherwise determined by the Board. It is hereby clarified that the Shares shall not constitute a separate class of shares, but shall be an integral part of the Company's ordinary shares.

Any change of the Company's Articles of Association or any other incorporation document, which may change the rights attached to the Company's ordinary shares, shall also apply to the Shares, and the provisions hereof shall apply with the necessary modifications arising from any such change.

The grant of Options and issuance of Shares under this Plan shall not restrict the Company in any way regarding future creation of additional and/or other classes of shares, including classes of shares, which may in any manner be preferred over the currently existing ordinary shares which are offered to Participants under this Plan. Subject to section 12.1 above, the grant of Options and Shares under this Plan shall not entitle any Participant to receive any compensation in the event of any change of the Company's capital.

15.2. Dividend Rights. No Participant shall have any rights to receive dividends in respect of the Shares underlying any outstanding Options, until such Options are exercised into Shares and these Shares are issued to the Participant or the Trustee. Following the issuance of such Shares by the Company, such Shares will entitle the Participant to receive any dividend, to which other holders of ordinary shares in the Company are entitled.

15.3. Bring Along. For the avoidance of doubt it is clarified that as part of the ordinary shares of the Company, Shares issued upon exercise of Options or in connection thereto shall be subject to any bring-along provision included in the incorporation documents of the Company or any shareholders agreement or similar agreement(s) by which some or all holders of ordinary shares of the Company are bound.

15.4. Voting Rights. No Participant shall have any rights to vote in the Company's meetings in respect of underlying Shares, until such Shares are issued to the Participant or the Trustee. Following the issuance of such Shares by the Company, the Participant shall have the same voting rights as other holders of ordinary shares in the Company. Notwithstanding the aforesaid, and unless determined otherwise by the Board, as long as the Company's ordinary shares are not traded on a Stock Exchange, any Shares issued upon the exercise of an Option shall be voted by an irrevocable

proxy, such proxy to be assigned to the person or persons designated by the Board. The Participants will be required, as a condition to the issuance of any Share under the Options granted pursuant to this Plan, to sign such a proxy. Unless otherwise determined by the Board, the proxy will be transferred upon any transfer of Shares unless such transfer occurs upon a M&A Transaction or upon or after an IPO of the Company.

16. Repurchase Right:

The following shall apply only until the listing of the Company's ordinary shares on a Stock Exchange:

16.1. Repurchase in the case of Termination for Cause: In the event that the Participant's employment or engagement with the Company or an Affiliate is terminated for Cause, or if following Termination it is found that the Participant committed an act constituting Cause, if permitted by Applicable Law, any Shares already issued to the Participant as a result of exercise of Options shall be returned to the Company upon request of the latter for the lower of the original purchase price (the Exercise Price) and the then Fair Market Value of such Shares.

16.2. Repurchase in the case of working for a competitor: Without derogating from the generality of the preceding Section 16.1, if permitted by Applicable Law, the Company shall have the right to purchase, for the lower of the original purchase price and the then Fair Market Value, any Shares already issued to a Participant, whose employment or engagement with the Company or an Affiliate was terminated for any reason, in the event that after the Termination, such Participant will commence working or providing services to a competitor of the Company or an Affiliate or to a subsidiary or affiliate of such competitor. For the purposes of this Section, a "competitor" shall mean any person or entity that operates, conducts, or manages a business in the field of the Company's business. This restriction is limited to a time period of 2 years after the termination of employment.

16.3. In the event that the Board has determined that a Participant's Shares shall be repurchased under any of the aforesaid sections 16.1-16.2, then the Participant shall be obliged to sell, any Shares that such Participant has received under the Plan, in accordance with the instructions issued by the Board. The determination of the Board in this regard shall be final.

16.4. If the Company is not permitted under Applicable Law to repurchase Shares under sections 16.1-16.2, the Company may assign such right under the Plan to the Company's existing shareholders (save, for avoidance of doubt, for other Participants who hold Shares resulting from the exercise of Options granted under the Plan or any other employee benefit plan) or to a trustee for the benefit of the Company.

17. Shares Subject to Right of First Refusal

17.1. Notwithstanding anything to the contrary in the incorporation documents of the Company, none of the Participants shall have a right of first refusal in relation with any sale or Transfer of shares in the Company.

17.2. Unless otherwise determined by the Board, until such time as the Company shall complete an IPO, a Participant shall not have the right to sell or otherwise Transfer Shares issued upon the exercise of an Option within six (6) months and one day of the date of exercise of such Option or issuance of such Shares.

17.3 Transfer of Shares by the Participant shall be subject to a right of first refusal as set forth in the incorporation documents of the Company or any shareholders, investors' rights, right of first refusal or similar agreement(s) by which some or all holders of the ordinary shares of the Company are bound. In the event that the incorporation documents or such agreements of the Company do not contain any provision regarding rights of first refusal, then, unless otherwise determined by the Board, until such time as the Company shall complete an IPO, the Transfer of Shares issuable upon the exercise of an Option shall be subject to a right of first refusal on the part of the Repurchaser(s).

"Repurchaser(s)" means (i) the Company, if permitted by Applicable Law; (ii) if the Company is not permitted by Applicable Law, then any affiliate of the Company designated by the Board; or (iii) if no decision is reached by the Board, then the Company's then existing shareholders who hold more than 5% of the then issued and outstanding share capital of the Company (save, for avoidance of doubt, for other Participants who already exercised their Options), pro rata in accordance with their respective shareholding on an as-converted (not fully diluted) basis.

17.4 The Participant shall give a notice of Transfer (the "Notice") to the Company, requesting the Company to offer the Shares to the Repurchaser(s). The Notice shall specify the name of each proposed purchaser or other transferee (the "Proposed Transferee"), the number of Shares offered for sale or Transfer ("Offered Shares"), the price per Share and the terms of payment and credit and any other term related to the sale or Transfer. The Company shall comply with such request by sending the Repurchasers a written notice ("Offer") stating therein the proposed transferee(s) and the proposed terms of sale or other Transfer of the Offered Shares. Any Repurchaser may accept such Offer in respect of all or any of the Offered Shares by giving the Company written notice to that effect within thirty (30) days after being served with the Offer ("Offer Period").

17.5 If the acceptances, in the aggregate, have been received for a total number of shares equal to the number of all of the Offered Shares, the contract between the parties shall be created and the Repurchaser(s) shall purchase the number of Offered Shares indicated in the acceptances submitted by each Repurchaser, and the Participant must sell such Offered Shares to such Repurchaser, on the terms set forth in the Notice.

17.6 If the acceptances, in the aggregate, have been received regarding a total number of shares which is greater than the number of all the Offered Shares, then each Repurchaser shall only be entitled to purchase such portion of the Offered Shares to be determined according to each Repurchaser's pro-rata portion in the Company's issued and outstanding share capital (calculated on an as converted basis) but not exceeding the number of shares indicated in such Repurchaser's acceptance (and any excess shares, if any, shall be allocated among the Repurchasers who have not received all the shares they indicated in the acceptance submitted by them, in the same manner until the rights to purchase 100% of the total Offered Shares have been allocated as aforesaid).

The pro-rata portion of each such Repurchaser shall be the ratio of the number of outstanding shares of the Company, on a fully-diluted as-converted basis, held by such Repurchaser as of the date of the Notice to the sum of the total number of outstanding shares of the Company, on a fully diluted as-converted basis, held by all Repurchasers as of such date.

17.7 If, by the end of the Offer Period, no acceptances have been received or acceptances have been received for only part of the Offered Shares, then the Participant shall not be required to sell any of the Offered Shares to any accepting Repurchasers, but will be entitled during the 90 days following the end of the Offer Period to sell or Transfer all (but not less than all) of the Offered Shares only to the proposed transferee mentioned in its Offer, provided such transferee is not a competitor of the Company, at a price that shall not be less than the price indicated in the Offer and under terms identical to those specified in the Offer, and provided that such proposed transferee has delivered to the Company's Board in advance a written document in which such transferee agrees to assume such shares and rights to, in connection with, or in respect of such shares subject to any and all obligations and restrictions pursuant to which the transferor held such securities.

17.8 Any sale of Shares issued under the Plan by the Participant that is not made in accordance with the Plan or the Option Agreement shall be null and void. The Board shall be entitled not to approve and/or recognize a transfer of Shares if such a transfer has not been performed in accordance with the provisions of this Article 17.

17.9 Without derogating from the aforementioned, and in addition thereto, any sale of Shares in accordance with this Article 17 shall be subject to the prior approval of the Board. The Participant acknowledges that the transfer of equity securities prior to a liquidity event (e.g. an IPO or M&A Transaction) may not be in the best interest of the Company and therefore, other than in case of death, estate planning, gift to family members or divorce, the transfer of the ordinary shares (including without limitation, a transfer in accordance with this Section 17) should be closely monitored, controlled and rarely approved by the Board. The Participant further acknowledges the fact that a “secondary market” for private company shares is evolving and shareholders are offered opportunities to transfer their ordinary shares. As such, the Board: (i) will be entitled, at its sole and absolute discretion (without the obligation to provide information with respect to discussions held by the Board regarding such transfer or the necessity to justify its resolution), to refuse to approve any transfer of ordinary shares, and in case of a refusal, any attempt to transfer ordinary shares will (by way of contract, promise unilateral commitment or otherwise) be of no force and effect, null and void and disregarded by the Company; (ii) will not allow the transfer of ordinary shares, unless the transfer is coordinated with the Company and the shareholder will agree to terms set by the Company (among other things, with respect to price paid for the shares, duration of holding of such shares, agreement to participate in any liquidity event (and be bound by the terms set in such an event) etc).

17.10 For the avoidance of doubt it is clarified that any Shares transferred in accordance with this section 17, shall, unless otherwise determined by the Board, be subject to the proxy executed by the Participant in accordance with section 15.5 above and the applicable Option Agreement. In addition, the proxy shall lapse upon a M&A Transaction or upon or after an IPO of the Company.

#### 18. Amendment or Termination of Plan.

18.1. The Board shall be entitled, from time to time, to amend, update and/or change the terms of this Plan, in whole or in part, at its sole discretion, provided that in the Board’s opinion such a change shall not materially derogate from the rights attached to the Options already granted under this Plan, unless such amendment, update or change was approved by the Participants holding the majority of the Options that were already granted under this Plan and which rights are materially derogated by such amendment, update or change.

18.2. The Board shall be entitled to terminate this Plan at any time, provided that such termination shall not materially affect the rights of Participants in respect of Options already granted under the Plan.

18.3. Termination of the Plan shall not affect the Board’s ability to exercise the powers granted to it hereunder with respect to Options granted (and Shares issued upon exercise thereof) under the Plan prior to the date of such termination.

#### 19. Effective Date and Duration of the Plan

19.1. The Plan shall be effective as of the day it was adopted by the Board and shall terminate at the end of ten (10) years from such day of adoption.

19.2. The Company shall obtain the approval of the Company's shareholders for the adoption of this Plan or for any amendment to this Plan, if shareholders' approval is necessary or desirable to comply with any Applicable Law, including without limitation the securities laws of jurisdictions applicable to Options granted to Participants under this Plan, or if shareholders' approval is required by any authority or by any governmental agency or by any national securities exchange, including without limitation the US Securities and Exchange Commission.

20. Successors and Assigns. The Plan and any Option granted thereafter shall be binding on all successors and assignees of the Company and a Participant, including, without limitation, the estate of such Participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the Participant's creditors.

21. Miscellaneous

21.1. Notices. Notices and requests regarding this Plan shall in writing and shall be delivered by email, overnight courier, by registered mail (postage prepaid) or by facsimile to the address or facsimile number of the recipient party as follows: if to the Company—at its principal offices; if to the Participant—to the Participant's address as registered in the Company's records. Any notice sent in accordance with this section 21.1 shall be deemed received by the addressee as follows: (i) if mailed, three (3) business days after deposit for mailing at a post office located in the country of addressee, or seven (7) business days after deposit for mailing at a post office located outside the country of addressee; (ii) if sent by messenger, upon delivery (or refusal to receive); (iii) if sent via facsimile, on the next business day following transmission and electronic confirmation of receipt; and (iv) if sent via email, on the next business day following transmission (except where a notice is received stating that such email has not been successfully delivered).

21.2. This Plan (together with the applicable Option Agreement(s) entered into with any Participant and together with any sub-plan applicable to the Participant) constitutes the entire agreement and understanding between the Company and such Participant in connection with the grant of Options to the Participant. Any representation and/or promise and/or undertaking made and/or given by the Company or by whosoever on its behalf, which has not been explicitly expressed herein or in an Option Agreement, shall have no force and effect.

22. Governing Law. The Plan shall be governed by, construed and enforced in accordance with the laws of the State of Israel, without giving effect to principles of conflicts of law. The competent courts of Tel Aviv-Jaffa shall have exclusive jurisdiction to hear all disputes arising in connection with this Plan.

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FIRST AMENDMENT  
TO  
VALENS SEMICONDUCTOR LTD. – 2012 OPTION PLAN

1. Reference is hereby made to that certain Valens Semiconductor Ltd. – 2012 Option Plan (the “ESOP”). Capitalized terms used and not otherwise defined herein shall have the respective meanings ascribed to them under the ESOP.

2. Section 6.2 of the ESOP is hereby amended and restated in its entirety as follows:

“Subject to this Section 6.2 and 12.1, the total number of Shares reserved and available for grant and issuance pursuant to this Plan will be ~~349,672~~ 69,672 Shares, plus (i) any Shares that are subject to issuance upon exercise of an option previously granted under the Valens Semiconductor Ltd. – 2007 Option Plan (“Prior Plan”), which, at any time after adoption of this Plan, cease to be subject to such option for any reason other than exercise of such option, plus (ii) any Shares issued under the Prior Plan and later repurchased by the Company pursuant to any repurchase right which the Company may have, plus (iii) shares that are subject to options previously granted under the Prior Plan that are used to pay the exercise price of an option or to satisfy the Tax obligations related to an option. The Company during the term of this Plan will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the vested portion of Options granted under the Plan, subject to any adjustment made to the share capital of the Company by way of share split, reverse share split, distribution of share dividend or similar recapitalization events, at any time hereafter. The Shares may be authorized but unissued ordinary shares, or reacquired ordinary shares of the Company. If an Option should expire or become un-exercisable for any reason without having been exercised in full Shares that were subject thereto shall, unless the Plan shall have been terminated, become available for future grant under the Plan. Shares issued under the Plan and later repurchased by the Company pursuant to any repurchase right which the Company may have, shall be available for future grant under the Plan. Shares used to pay the exercise price of an Option or to satisfy the Tax obligations related to an Option will become available for future grant under the Plan.”

3. Except as provided herein, all other terms and conditions of the ESOP shall remain in full force and effect.

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**VALENS SEMICONDUCTOR LTD.  
2021 SHARE INCENTIVE PLAN**

*Unless otherwise defined, terms used herein shall have the meaning ascribed to them in Section 2 hereof.*

**1. PURPOSE; TYPES OF AWARDS; CONSTRUCTION.**

1.1. Purpose. The purpose of this 2021 Share Incentive Plan (as amended, this “Plan”) is to afford an incentive to Service Providers of Valens Semiconductor Ltd., an Israeli company (together with any successor corporation thereto, the “Company”), or any Affiliate of the Company, which now exists or hereafter is organized or acquired by the Company or its Affiliates, to continue as Service Providers, to increase their efforts on behalf of the Company or its Affiliates and to promote the success of the Company’s business, by providing such Service Providers with opportunities to acquire a proprietary interest in the Company by the issuance of Shares or restricted Shares (“Restricted Shares”) of the Company, Options, Restricted Shares Units (“RSUs”), share appreciation rights and other Share-based Awards pursuant to Sections 11 through 13 of this Plan.

1.2. Types of Awards. This Plan is intended to enable the Company to issue Awards under various tax regimes, including:

(i) pursuant and subject to the provisions of Section 102 of the Ordinance (or the corresponding provision of any subsequently enacted statute, as amended from time to time), and all regulations and interpretations adopted by any competent authority, including the Israel Tax Authority (the “ITA”), including the Income Tax Rules (Tax Benefits in Stock Issuance to Employees) 5763-2003 or such other rules so adopted from time to time (the “Rules”) (such Awards that are intended to be (as set forth in the Award Agreement) and which qualify as such under Section 102 of the Ordinance and the Rules, “102 Awards”);

(ii) pursuant to Section 3(i) of the Ordinance or the corresponding provision of any subsequently enacted statute, as amended from time to time (such Awards, “3(i) Awards”);

(iii) Incentive Stock Options within the meaning of Section 422 of the Code, or the corresponding provision of any subsequently enacted United States federal tax statute, as amended from time to time, to be granted to Employees who are deemed to be residents of the United States, for purposes of taxation, or are otherwise subject to U.S. Federal income tax (such Awards that are intended to be (as set forth in the Award Agreement) and which qualify as an incentive stock option within the meaning of Section 422(b) of the Code, “Incentive Stock Options”);

(iv) Options not intended to be (as set forth in the Award Agreement) or which do not qualify as an Incentive Stock Option (“Nonqualified Stock Options”)

(v) Share appreciation rights; and

(vi) Restricted Shares, RSUs and other forms of Share-based Awards.

In addition to the issuance of Awards under the relevant tax regimes in the United States of America and the State of Israel, and without derogating from the generality of Section 25, this Plan contemplates issuances to Grantees in other jurisdictions or under other tax regimes with respect to which the Committee is empowered, but is not required, to make the requisite adjustments in this Plan and set forth the relevant conditions in an appendix to this Plan or in the Company’s agreement with the Grantee in order to comply with the requirements of such other tax regimes.

1.3. Construction. To the extent any provision herein conflicts with the conditions of any relevant tax law, rule or regulation which are relied upon for tax relief in respect of a particular Award to a Grantee, the Committee is empowered, but is not required, hereunder to determine that the provisions of such law, rule or regulation shall prevail over those of this Plan and to interpret and enforce such prevailing provisions. With respect to 102 Awards, if and to the extent any action or the exercise or application of any provision hereof or authority granted hereby is conditioned or subject to obtaining a ruling or tax determination from the ITA, to the extent required by Applicable Law, then the taking of any such action or the exercise or application of such section or authority with respect to 102 Awards shall be conditioned upon obtaining such ruling or tax determination, and, if obtained, shall be subject to any condition set forth therein; it being clarified that there is no obligation to apply for any such ruling or tax determination (which shall be in the sole discretion of the Committee) and no assurance is made that if applied any such ruling or tax determination will be obtained (or the conditions thereof).

## 2. DEFINITIONS.

2.1. Terms Generally. Except when otherwise indicated by the context, (i) the singular shall include the plural and the plural shall include the singular; (ii) any pronoun shall include the corresponding masculine, feminine and neuter forms; (iii) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, restated, supplemented or otherwise modified (subject to any restrictions on such amendments, restatements, supplements or modifications set forth therein or herein), (iv) references to any law, constitution, statute, treaty, regulation, rule or ordinance, including any section or other part thereof shall refer to it as amended from time to time and shall include any successor thereof, (v) reference to a “company” or “entity” shall include a, partnership, corporation, limited liability company, association, trust, unincorporated organization, or a government or agency or political subdivision thereof, and reference to a “person” shall mean any of the foregoing or an individual, (vi) the words “herein”, “hereof” and “hereunder”, and words of similar import, shall be construed to refer to this Plan in its entirety, and not to any particular provision hereof, (vii) all references herein to Sections shall be construed to refer to Sections to this Plan; (viii) the words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”; and (ix) use of the term “or” is not intended to be exclusive.

2.2. Defined Terms. The following terms shall have the meanings ascribed to them in this Section 2:

2.3. “Affiliate” shall mean, (i) with respect to any person, any other person that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such person (with the term “control” or “controlled by” within the meaning of Rule 405 of Regulation C under the Securities Act), including, without limitation, any Parent or Subsidiary, or (ii) Employer.

2.4. “Applicable Law” shall mean any applicable law, rule, regulation, statute, pronouncement, policy, interpretation, judgment, order or decree of any federal, provincial, state or local governmental, regulatory or adjudicative authority or agency, of any jurisdiction, and the rules and regulations of any stock exchange, over-the-counter market or trading system on which the Company’s shares are then traded or listed.

2.5. “Award” shall mean any issuance of Shares or Restricted Share, Options, RSUs, share appreciation rights and other Share-based Awards granted under this Plan.

2.6. “Board” shall mean the Board of Directors of the Company.

2.7. “Change in Board Event” shall mean any time at which individuals who, as of the Effective Date, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.

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- 2.8. “Code” shall mean the United States Internal Revenue Code of 1986, and any applicable regulations promulgated thereunder, all as amended.
- 2.9. “Committee” shall mean a committee established or appointed by the Board to administer this Plan, subject to Section 3.1.
- 2.10. “Companies Law” shall mean the Israel Companies Law, 5759-1999, and the regulations promulgated thereunder, all as amended from time to time.
- 2.11. “Controlling Shareholder” shall have the meaning set forth in Section 32(9) of the Ordinance.
- 2.12. “Disability” shall mean (i) the inability of a Grantee to engage in any substantial gainful activity or to perform the major duties of the Grantee’s position with the Company or its Affiliates by reason of any medically determinable physical or mental impairment which has lasted or can be expected to last for a continuous period of not less than 12 months (or such other period as determined by the Committee), as determined by a qualified doctor acceptable to the Company, (ii) if applicable, a “permanent and total disability” as defined in Section 22(e)(3) of the Code or Section 409A(a)(2)(c)(i) of the Code, as amended from time to time, or (iii) as defined in a policy of the Company that the Committee deems applicable to this Plan, or that makes reference to this Plan, for purposes of this definition.
- 2.13. “Employee” shall mean any person treated as an employee (including an officer or a director who is also treated as an employee) in the records of the Company or any of its Affiliates (and in the case of 102 Awards, subject to Section 9.3 or in the case of Incentive Stock Options, who is an employee for purposes of Section 422 of the Code); provided, however, that neither service as a director nor payment of a director’s fee shall be sufficient to constitute employment for purposes of this Plan. The Company shall determine in good faith and in the exercise of its discretion whether an individual has become or has ceased to be an Employee and the effective date of such individual’s employment or termination of employment, as the case may be. For purposes of a person’s rights, if any, under this Plan as of the time of the Company’s determination, all such determinations by the Company shall be final, binding and conclusive, notwithstanding that the Company or any court of law or governmental agency subsequently makes a contrary determination.
- 2.14. “Employer” means, for purpose of a 102 Trustee Award, the Company or an Affiliate, Subsidiary or Parent thereof, which is an “employing company” within the meaning and subject to the conditions of Section 102(a) of the Ordinance.
- 2.15. “employment”, “employed” and words of similar import shall be deemed to refer to the employment of Employees or to the services of any other Service Provider, as the case may be.
- 2.16. “Exchange Act” shall mean the U.S. Securities Exchange Act of 1934, as amended, and all regulations, guidance and other interpretative authority issued thereunder.
- 2.17. “exercise,” “exercised” and words of similar import, when referring to an Award that does not require exercise or that is settled upon vesting (such as may be the case with RSUs or Restricted Shares, if so determined in their terms), shall be deemed to refer to the vesting of such an Award (regardless of whether or not the wording included reference to vesting of such an Awards explicitly).
- 2.18. “Exercise Period” shall mean the period, commencing on the date of grant of an Award, during which an Award shall be exercisable, subject to any vesting provisions thereof (including any acceleration thereof, if any) and subject to the termination provisions hereof.
- 2.19. “Exercise Price” shall mean the exercise price for each Share covered by an Option or the purchase price for each Share covered by any other Award.
- 2.20. “Fair Market Value” shall mean, as of any date, the value of a Share or other securities, property or rights as determined by the Board, in its discretion, subject to the following: (i) if, on such date, the Shares are listed on any securities exchange, the closing sales price per Share on which the Shares are principally traded on such date, or if no sale occurred on such date, the last day preceding such date on which a sale occurred, as reported in The Wall Street Journal or such other source as the Company deems reliable; (ii) if, on such date, the Shares are then quoted in an over-the-counter market, the average of the closing bid and asked prices for the Shares in that market on such date, or if there are no bid and asked prices on such date, the last day preceding such date on which there are bid and asked prices, as reported in The Wall Street Journal or such other source as the Company deems reliable; or (iii) if, on such date, the Shares

are not then listed on a securities exchange or quoted in an over-the-counter market, or in case of any other securities, property or rights, such value as the Committee, in its sole discretion, shall determine, with full authority to determine the method for making such determination and which determination shall be conclusive and binding on all parties, and shall be made after such consultations with outside legal, accounting and other experts as the Committee may deem advisable; provided, however, that, if applicable, the Fair Market Value of the Shares shall be determined in a manner that is intended to satisfy the applicable requirements of and subject to Section 409A of the Code, and with respect to Incentive Stock Options, in a manner that is intended to satisfy the applicable requirements of and subject to Section 422 of the Code, subject to Section 422(c)(7) of the Code. The Committee shall maintain a written record of its method of determining such value. If the Shares are listed or quoted on more than one established stock exchange or over-the-counter market, the Committee shall determine the principal such exchange or market and utilize the price of the Shares on that exchange or market (determined as per the method described in clauses (i) or (ii) above, as applicable) for the purpose of determining Fair Market Value.

2.21. "Grantee" shall mean a person who has been granted an Award(s) under this Plan.

2.22. "Option" shall mean a grant of options to purchase Shares, including, for the avoidance of doubt, Incentive Stock Options and Nonqualified Stock Options.

2.23. "Ordinance" shall mean the Israeli Income Tax Ordinance (New Version) 5271-1961, and the regulations and rules (including the Rules) promulgated thereunder, all as amended from time to time.

2.24. "Parent" shall mean any company (other than the Company), which now exists or is hereafter organized, (i) in an unbroken chain of companies ending with the Company if, at the time of granting an Award, each of the companies (other than the Company) owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other companies in such chain, or (ii) if applicable and for purposes of Incentive Stock Options, that is a "parent corporation" of the Company, as defined in Section 424(e) of the Code.

2.25. "Retirement" shall mean a Grantee's retirement pursuant to Applicable Law or in accordance with the terms of any tax-qualified retirement plan maintained by the Company or any of its Affiliates in which the Grantee participates or is subject to.

2.26. "Securities Act" shall mean the U.S. Securities Act of 1933, and the rules and regulations promulgated thereunder, all as amended from time to time.

2.27. "Service Provider" shall mean an Employee, director, officer, consultant, advisor and any other person or entity who provides services to the Company or any Parent, Subsidiary or other Affiliate thereof. Service Providers shall include prospective Service Providers to whom Awards are granted in connection with written offers of an employment or other service relationship with the Company or any Parent, Subsidiary or any other Affiliates thereof, provided, however, that such employment or service shall have actually commenced. Notwithstanding the foregoing, unless otherwise determined by the Committee, each Service Provider shall be an "employee" as defined in the General Instructions to Form S-8 Registration Statement under the Securities Act (or any successor form thereto) at the time the Award is granted to the Service Provider.

2.28. "Share(s)" shall mean Ordinary Share(s), of no par value, of the Company (including Ordinary Shares resulting or issued as a result of share split, reverse share split, bonus shares, combination or other recapitalization events), or shares of such other class of shares of the Company as shall be designated by the Board in respect of the relevant Award(s). "Shares" include any securities or property issued or distributed with respect thereto.

2.29. "Subsidiary" shall mean any company (other than the Company), which now exists or is hereafter organized or acquired by the Company, (i) in an unbroken chain of companies beginning with the Company if, at the time of granting an Award, each of the companies other than the last company in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other companies in such chain, or (ii) if applicable and for purposes of Incentive Stock Options, that is a "subsidiary corporation" of the Company, as defined in Section 424(f) of the Code.

2.30. “tax(es)” shall mean (a) all federal, state, local or foreign taxes, charges, fees, imposts, levies or other assessments, including all income, capital gains, alternative or add-on minimum, transfer, value added tax, real and personal property, withholding, payroll, employment, escheat, social security, disability, national security, health tax, wealth surtax, stamp, registration and estimated taxes, customs duties, fees, assessments and charges of any similar kind whatsoever (including under Section 280G of the Code) or other tax of any kind whatsoever, (b) all interest, indexation differentials, penalties, fines, additions to tax or additional amounts imposed by any taxing authority in connection with any item described in clause (a), (c) any transferee or successor liability in respect of any items described in clauses (a) or (b) payable by reason of contract, assumption, transferee liability, successor liability, operation of Applicable Law, or as a result of any express or implied obligation to assume Taxes or to indemnify any other person, and (d) any liability for the payment of any amounts of the type described in clause (a) or (b) payable as a result of being a member of an affiliated, consolidated, combined, unitary or aggregate or other group for any taxable period, including under U.S. Treasury Regulations Section 1.1502-6(a) (or any predecessor or successor thereof of any analogous or similar provision under Applicable Law) or otherwise.

2.31. “Ten Percent Shareholder” shall mean a Grantee who, at the time an Award is granted to the Grantee, owns shares possessing more than ten percent (10%) of the total combined voting power of all classes of shares of the Company or any Parent or Subsidiary, within the meaning of Section 422(b) (6) of the Code.

2.32. “Trustee” shall mean the trustee appointed by the Committee to hold the Awards (and, in relation with 102 Trustee Awards, approved by the ITA), if so appointed.

2.33. Other Defined Terms. The following terms shall have the meanings ascribed to them in the Sections set forth below:

<u>Term</u>	<u>Section</u>
102 Awards	1.2(i)
102 Capital Gains Track Awards	9.1
102 Non-Trustee Awards	9.2
102 Ordinary Income Track Awards	9.1
102 Trustee Awards	9.1
3(i) Awards	1.2(ii)
Award Agreement	6
Cause	6.6.4.4
Company	1.1
Effective Date	24.1
Election	9.2
Eligible 102 Grantees	9.3.1
Incentive Stock Options	1.2(iii)
Information	16.4
ITA	1.1(i)
Merger/Sale	14.2
Nonqualified Stock Options	1.2(iv)
Plan	1.1
Prior Plan(s)	5.2
Pool	5.1
Recapitalization	14.1
Required Holding Period	9.5
Restricted Period	11.2
Restricted Share Agreement	11
Restricted Share Unit Agreement	12
Restricted Share	1.1
RSUs	1.1
Rules	1.1(i)
Securities	17.1
Successor Corporation	14.2.1
Withholding Obligations	18.5

### 3. ADMINISTRATION.

3.1. To the extent permitted under Applicable Law, the Company's Amended and Restated Articles of Association (as may be amended and supplemented from time to time, the "Articles of Association") and any other governing document of the Company, this Plan shall be administered by the Committee. In the event that the Board does not appoint or establish a committee to administer this Plan, this Plan shall be administered by the Board and, accordingly, any and all references herein to the Committee shall be construed as references to the Board. In the event that an action necessary for the administration of this Plan is required under Applicable Law to be taken by the Board without the right of delegation, or if such action or power was explicitly reserved by the Board in appointing, establishing and empowering the Committee, then such action shall be so taken by the Board. In any such event, all references herein to the Committee shall be construed as references to the Board. Even if such a Committee was appointed or established, the Board may take any actions that are stated to be vested in the Committee, and shall not be restricted or limited from exercising all rights, powers and authorities under this Plan or Applicable Law.

3.2. The Board shall appoint the members of the Committee, may from time to time remove members from, or add members to, the Committee, and shall fill vacancies in the Committee, however caused, provided that the composition of the Committee shall at all times be in compliance with any mandatory requirements of Applicable Law, the Articles of Association and any other governing document of the Company. The Committee may select one of its members as its Chairman and shall hold its meetings at such times and places as it shall determine. The Committee may appoint a Secretary, who shall keep records of its meetings, and shall make such rules and regulations for the conduct of its business as it shall deem advisable and subject to mandatory requirements of Applicable Law.

3.3. Subject to the terms and conditions of this Plan, any mandatory provisions of Applicable Law and any provisions of any Company policy required under mandatory provisions of Applicable Law, and in addition to the Committee's powers contained elsewhere in this Plan, the Committee shall have full authority, in its discretion, from time to time and at any time, to determine any of the following, or to recommend to the Board any of the following if it is not authorized to take such action according to Applicable Law:

(i) eligible Grantees,

(ii) grants of Awards and setting the terms and provisions of Award Agreements (which need not be identical) and any other agreements or instruments under which Awards are made, including, the number of Shares underlying each Award and the class of Shares underlying each Award (if more than one class was designated by the Board),

(iii) the time or times at which Awards shall be granted,

(iv) the terms, conditions and restrictions applicable to each Award (which need not be identical) and any Shares acquired upon the exercise or (if applicable) vesting thereof, including, (1) designating Awards under Section 1.2; (2) the vesting schedule, the acceleration thereof and terms and conditions upon which Awards may be exercised or become vested, (3) the Exercise Price, (4) the method of payment for Shares purchased upon the exercise or (if applicable) vesting of the Awards, (5) the method for satisfaction of any tax withholding obligation arising in connection with the Awards or such Shares, including by the withholding or delivery of Shares, (6) the time of the expiration of the Awards, (7) the effect of the Grantee's termination of employment with the Company or any of its Affiliates, and (8) all other terms, conditions and restrictions applicable to the Award or the Shares not inconsistent with the terms of this Plan,

(v) to accelerate, continue, extend or defer the exercisability of any Award or the vesting thereof, including with respect to the period following a Grantee's termination of employment or other service,

(vi) the interpretation of this Plan and any Award Agreement and the meaning, interpretation and applicability of terms referred to in Applicable Law,

(vii) policies, guidelines, rules and regulations relating to and for carrying out this Plan, and any amendment, supplement or rescission thereof, as it may deem appropriate,

(viii) to adopt supplements to, or alternative versions of, this Plan, including, without limitation, as it deems necessary or desirable to comply with the laws of, or to accommodate the tax regime or custom of, foreign jurisdictions whose citizens or residents may be granted Awards,

(ix) the Fair Market Value of the Shares or other securities property or rights,

(x) the tax track (capital gains, ordinary income track or any other track available under the Section 102 of the Ordinance) for the purpose of 102 Awards,

(xi) the authorization and approval of conversion, substitution, cancellation or suspension under and in accordance with this Plan of any or all Awards or Shares,

(xii) unless otherwise provided under the terms of this Plan, the amendment, modification, waiver or supplement of the terms of any outstanding Award (including reducing the Exercise Price of an Award), provided, however, that if such amendments increase the Exercise Price of an Award or reduce the number of Shares underlying an Award, then such amendments shall require the consent of the applicable Grantee, unless such amendment is made pursuant to the exercise of rights or authorities in accordance with Sections 14 or 25,

(xiii) without limiting the generality of the foregoing, and subject to the provisions of Applicable Law, to grant to a Grantee, who is the holder of an outstanding Award, in exchange for the cancellation of such Award, a new Award having an Exercise Price lower than that provided in the Award so canceled and containing such other terms and conditions as the Committee may prescribe in accordance with the provisions of this Plan or to set a new Exercise Price for the same Award lower than that previously provided in the Award,

(xiv) to correct any defect, supply any omission or reconcile any inconsistency in this Plan or any Award Agreement and all other determinations and take such other actions with respect to this Plan or any Award as it may deem advisable to the extent not inconsistent with the provisions of this Plan or Applicable Law, and

(xv) any other matter which is necessary or desirable for, or incidental to, the administration of this Plan and any Award thereunder.

3.4. The authority granted hereunder includes the authority to modify Awards to eligible individuals who are foreign nationals or are individuals who are employed outside the State of Israel or the United States of America, to recognize differences in local law, tax policy or custom, in order to effectuate the purposes of this Plan but without amending this Plan.

3.5. The Board and the Committee shall be free at all times to make such determinations and take such actions as they deem fit. The Board and the Committee need not take the same action or determination with respect to all Awards, with respect to certain types of Awards, with respect to all Service Providers or any certain type of Service Providers and actions and determinations may differ as among the Grantees, and as between the Grantees and any other holders of securities of the Company.

3.6. All decisions, determinations, and interpretations of the Committee, the Board and the Company under this Plan shall be final and binding on all Grantees (whether before or after the issuance of Shares pursuant to Awards), unless otherwise determined by the Committee, the Board or the Company, respectively. The Committee shall have the authority (but not the obligation) to determine the interpretation and applicability of Applicable Law to any Grantee or any Awards. No member of the Committee or the Board shall be liable to any Grantee for any action taken or determination made in good faith with respect to this Plan or any Award granted hereunder.

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3.7. Any officer or authorized signatory of the Company shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination or election which is the responsibility of or which is allocated to the Company herein, provided such person has apparent authority with respect to such matter, right, obligation, determination or election. Such person or authorized signatory shall not be liable to any Grantee for any action taken or determination made in good faith with respect to this Plan or any Award granted hereunder.

#### 4. ELIGIBILITY.

Awards may be granted to Service Providers of the Company or any Affiliate thereof, taking into account, at the Committee's discretion and without an obligation to do so, the qualification under each tax regime pursuant to which such Awards are granted, subject to the limitation on the granting of Incentive Stock Options set forth in Section 8.1. A person who has been granted an Award hereunder may be granted additional Awards, if the Committee shall so determine, subject to the limitations herein. However, eligibility in accordance with this Section 4 shall not entitle any person to be granted an Award, or, having been granted an Award, to be granted an additional Award.

Awards may differ in number of Shares covered thereby, the terms and conditions applying to them or on the Grantees or in any other respect (including, that there should not be any expectation (and it is hereby disclaimed) that a certain treatment, interpretation or position granted to one shall be applied to the other, regardless of whether or not the facts or circumstances are the same or similar).

#### 5. SHARES.

5.1. The maximum aggregate number of Shares that may be issued pursuant to Awards under this Plan (the "Pool") shall be the sum of (a) 8,806,344 Shares plus (and without the need to further amend the Plan) (b) an annual increase, on January 1<sup>st</sup>, 2022 and on January 1<sup>st</sup> of each calendar year thereafter during the term of the Plan, a number of Shares equal to the lesser of: (i) 5% of the total number of Shares outstanding as of the end of the last day of the immediately preceding calendar year, and (ii) provided that on each January 1<sup>st</sup>, an amount of at least five percent (5%) of the total number of Company Ordinary Shares, on a fully diluted basis, will be available for grant under the 2021 Plan, such smaller amount of Shares as is determined by the Board, if so determined prior to the January 1<sup>st</sup> of the calendar year in which the increase will occur (in each case, without the need to amend the Plan in case of such determination); in all events subject to adjustment as provided in Section 14.1. Notwithstanding the foregoing, the total number of Shares that may be issued pursuant to Incentive Stock Options granted under this Plan shall be 8,806,344, subject to adjustment as provided in Section 14.1. The Board may, at its discretion, reduce the number of Shares that may be issued pursuant to Awards under this Plan, at any time (provided that such reduction does not derogate from any issuance of Shares in respect of Awards then outstanding).

5.2. Any Shares (a) underlying an Award granted hereunder or an award granted under the Valens Semiconductor Ltd. 2012 Option Plan Valens Semiconductor Ltd. 2007 Option Plan, as amended (the "**Prior Plan(s)**") (in an amount not to exceed 16,647,495 Shares under the Prior Plan(s)) that has expired, or was cancelled, terminated, forfeited, or settled in cash in lieu of issuance of Shares, for any reason, without



having been exercised; (b) if permitted by the Company, tendered to pay the Exercise Price of an Award (or the exercise price or other purchase price of any option or other award under the Prior Plan(s)), or withholding tax obligations with respect to an Award (or any awards under the Prior Plan(s)); or (c) if permitted by the Company, subject to an Award (or any award under the Prior Plan(s)) that are not delivered to a Grantee because such Shares are withheld to pay the Exercise Price of such Award (or any award under the Prior Plan(s)), or withholding tax obligations with respect to such Award (or such award); shall automatically, and without any further action on the part of the Company or any Grantee, again be available for grant of Awards and for issuance upon exercise or (if applicable) vesting thereof for the purposes of this Plan (unless this Plan shall have been terminated), unless the Board determines otherwise. Such Shares may be, in whole or in part, authorized but unissued Shares, (and, subject to obtaining a ruling as it applies to 102 Awards) treasury shares (dormant shares) or otherwise Shares that shall have been or may be repurchased by the Company (to the extent permitted pursuant to the Companies Law).

5.3. Any Shares under the Pool that are not subject to outstanding or exercised Awards at the termination of this Plan shall cease to be reserved for the purpose of this Plan.

5.4. From and after the Effective Date, no further grants or awards shall be made under the Prior Plan(s); however, Awards made under the Prior Plan(s) before the Effective Date shall continue in effect in accordance with their terms.

## 6. TERMS AND CONDITIONS OF AWARDS.

Each Award granted pursuant to this Plan shall be evidenced by a written or electronic agreement between the Company and the Grantee or a written or electronic notice delivered by the Company (the "Award Agreement"), in substantially such form or forms and containing such terms and conditions, as the Committee shall from time to time approve. The Award Agreement shall comply with and be subject to the following general terms and conditions and the provisions of this Plan (except for any provisions applying to Awards under different tax regimes), unless otherwise specifically provided in such Award Agreement, or the terms referred to in other Sections of this Plan applying to Awards under such applicable tax regimes, or terms prescribed by Applicable Law. Award Agreements need not be in the same form and may differ in the terms and conditions included therein.

6.1. Number of Shares. Each Award Agreement shall state the number of Shares covered by the Award.

6.2. Type of Award. Each Award Agreement may state the type of Award granted thereunder, provided that the tax treatment of any Award, whether or not stated in the Award Agreement, shall be as determined in accordance with Applicable Law.

6.3. Exercise Price. Each Award Agreement shall state the Exercise Price, if applicable. Unless otherwise set forth in this Plan, an Exercise Price of an Award of less than the par value of the Shares (if shares bear a par value) shall comply with Section 304 of the Companies Law. Subject to Sections 3, 7.2 and 8.2 and to the foregoing, the Committee may reduce the Exercise Price of any outstanding Award, on terms and subject to such conditions as it deems advisable. The Exercise Price shall also be subject to adjustment as provided in Section 14 hereof. The Exercise Price of any Award granted to a Grantee who is subject to U.S. federal income tax shall be determined in accordance with Section 409A of the Code.

6.4. Manner of Exercise.

6.4.1 An Award may be exercised, as to any or all Shares as to which the Award has become exercisable, (a) by written notice delivered in person or by mail (or such other methods of delivery prescribed by the Company) to the General Counsel of the Company or, if no such officer is then incumbent, to the Chief Financial Officer of the Company or to such other person as determined by the Committee, (b) by way of an exercise order submitted via the online service operated and maintained by the Company or any of its service providers, or (c) or in any other manner as the Committee shall prescribe from time to time, specifying the number of Shares with respect to which the Award is being exercised (which may be equal to or lower than the aggregate number of Shares that have become exercisable at such time, subject to the last sentence of this Section), accompanied by payment of the aggregate Exercise Price for such Shares in the manner specified in the following sentence. The Exercise Price shall be paid in full with respect to each

Share, at the time of exercise and as a condition therefor, either (i) in cash, (ii) if the Company's shares are listed for trading on any securities exchange or over-the-counter market, and if the Committee so determines, all or part of the Exercise Price and any withholding taxes may be paid by the delivery (on a form prescribed by the Company) of an irrevocable direction to a securities broker approved by the Company to sell Shares and to deliver all or part of the sales proceeds to the Company or the Trustee, (iii) if the Company's shares are listed for trading on any securities exchange or over-the-counter market, and if the Committee so determines, all or part of the Exercise Price and any withholding taxes may be paid by the delivery (on a form prescribed by the Company) of an irrevocable direction to pledge Shares to a securities broker or lender approved by the Company, as security for a loan, and to deliver all or part of the loan proceeds to the Company or the Trustee, (iv) by applying the Cashless Exercise Mechanism set forth in Section 6.4.3 below, or (v) in such other manner as the Committee shall determine, which may include procedures for cashless exercise.

6.4.2 The application of Cashless Exercise Mechanism with respect to any 102 Awards shall be subject to obtaining a ruling from the ITA, to the extent required by Applicable Law.

6.4.3 Unless otherwise determined by the Committee, any and all Options (other than Incentive Stock Options) may be exercised using a cashless exercise mechanism, in which case the number of the Shares to be issued by the Company upon such exercise shall be calculated pursuant to the following formula (the "Cashless Exercise Mechanism"):

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

Where: X = the number of Shares to be issued to the Grantee.

Y = the number of Shares, as adjusted to the date of such calculation, underlying the number of Options being exercised.

A = the Fair Market Value of one Share at the exercise date.

B = the Exercise Price of the Options being exercised.

Upon the completion of the calculation, if X is a negative number, then X shall be deemed to equal 0 (zero).

#### 6.5. Term and Vesting of Awards.

6.5.1 Each Award Agreement shall provide the vesting schedule for the Award as determined by the Committee. The Committee shall have the authority to determine the vesting schedule and accelerate the vesting of any outstanding Award at such time and under such circumstances as it, in its sole discretion, deems appropriate. Unless otherwise resolved by the Committee and stated in the Award Agreement, and subject to Sections 6.6 and 6.7 hereof, Awards shall vest and become exercisable under the following schedule: twenty-five percent (25%) of the Shares covered by the Award, on the first anniversary of the vesting commencement date determined by the Committee (and in the absence of such determination, of date on which such Award was granted), and six and one-quarter percent (6.25%) of the Shares covered by the Award at the end of each subsequent three-month period thereafter over the course of the following three (3) years; provided that the Grantee remains continuously as a Service Provider of the Company or its Affiliates throughout such vesting dates.

6.5.2 The Award Agreement may contain performance goals and measurements (which, in case of 102 Trustee Awards, may, if then required, be subject to obtaining a specific tax ruling or determination from the ITA), and the provisions with respect to any Award need not be the same as the provisions with respect to any other Award. Such performance goals may include, but are not limited to, revenues, sales, operating income, earnings before interest and taxes, return on

investment, earnings per share, any combination of the foregoing or rate of growth of any of the foregoing, as determined by the Committee. The Committee may adjust performance goals pursuant to Awards previously granted to take into account changes in law and accounting and tax rules and to make such adjustments as the Committee deems necessary or appropriate to reflect the inclusion or the exclusion of the impact of extraordinary or unusual items, events or circumstances.

6.5.3 The Exercise Period of an Award will be ten (10) years from the date of grant of the Award, unless otherwise determined by the Committee and stated in the Award Agreement, but subject to the vesting provisions described above and the early termination provisions set forth in Sections 6.6 and 6.7 hereof. At the expiration of the Exercise Period, any Award, or any part thereof, that has not been exercised within the term of the Award and the Shares covered thereby not paid for in accordance with this Plan and the Award Agreement shall terminate and become null and void, and all interests and rights of the Grantee in and to the same shall expire.

#### 6.6. Termination.

6.6.1 Unless otherwise determined by the Committee, and subject to this Section 6.6 and Section 6.7 hereof, an Award may not be exercised unless the Grantee was, since the date of grant of the Award throughout the vesting dates, and is then (at the time of exercise), a Service Provider.

6.6.2 In the event that the employment or service of a Grantee shall terminate (other than by reason of death, Disability or Retirement), such that Grantee is no longer a Service Provider, all Awards of such Grantee that are unvested at the time of such termination shall terminate on the date of such termination, and all Awards of such Grantee that are vested and exercisable at the time of such termination may be exercised within up to three (3) months after the date of such termination (or such different period as the Committee shall prescribe, in general or on a case-by-case basis), but in any event no later than the date of expiration of the Award's term as set forth in the Award Agreement or pursuant to this Plan; provided, however, that if the Company (or its Subsidiary or other Affiliate thereof, as applicable) shall have terminated the Grantee's employment or service for Cause (as defined below) (whether the facts or circumstances that constitute such Cause occur prior to or after termination of employment or service), or if facts or circumstances arise or are discovered with respect to the Grantee that would have constituted Cause, then all Awards theretofore granted to such Grantee (whether vested or not) shall terminate and be subject to recoupment by the Company on the date of such termination (or on such subsequent date on which such facts or circumstances arise or are discovered, as the case may be) unless otherwise determined by the Committee, and any Shares issued upon exercise or (if applicable) vesting of Awards (including other Shares or securities issued or distributed with respect thereto, and including the gross amount of any proceeds, gains or other economic benefit the Grantee actually or constructively receives upon receipt or exercise of any Award or the receipt or resale of any Shares underlying the Award), whether held by the Grantee or by the Trustee for the Grantee's benefit, shall be deemed to be irrevocably offered for sale to the Company, any of its Affiliates or any person designated by the Company to purchase, at the Company's election and subject to Applicable Law, either for no consideration, for the par value of such Shares (if such Shares bear a par value) or against payment of the Exercise Price previously received by the Company for such Shares upon their issuance, as the Committee deems fit, upon written notice to the Grantee at any time prior to, at or after the Grantee's termination of employment or service. Such Shares or other securities shall be sold and transferred within 30 days from the date of the Company's notice of its election to exercise its right. If the Grantee fails to transfer such Shares or other securities to the Company, the Company, at the decision of the Committee, shall be entitled to forfeit or repurchase such Shares and to authorize any person to execute on behalf of the Grantee any document necessary to effect such transfer, whether or not the share certificates are surrendered. The Company shall have the right and authority to effect the above either by: (i) repurchasing all of such Shares or other securities held by the Grantee or by the Trustee for the benefit of the Grantee, or designate the purchaser of all or any part of such Shares or other securities, for the Exercise Price paid for such Shares, the par value of such Shares (if such Shares bear a par value) or for no payment or consideration whatsoever, as the Committee deems fit; (ii) forfeiting all or any part of such Shares or other

securities; (iii) redeeming all or any part of such Shares or other securities, for the Exercise Price paid for such Shares, the par value of such Shares (if such Shares bear a par value) or for no payment or consideration whatsoever, as the Committee deems fit; (iv) taking action in order to have all or any part of such Shares or other securities converted into deferred shares entitling their holder only to their par value (if such Shares bear a par value) upon liquidation of the Company; or (v) taking any other action which may be required in order to achieve similar results; all as shall be determined by the Committee, at its sole and absolute discretion, and the Grantee is deemed to irrevocably empower the Company or any person which may be designated by it to take any action by, in the name of or on behalf of the Grantee to comply with and give effect to such actions (including, voting such shares, filling in, signing and delivering share transfer deeds, etc.).

6.6.3 Notwithstanding anything to the contrary, the Committee, in its absolute discretion, may, on such terms and conditions as it may determine appropriate, extend the periods for which Awards held by any Grantee may continue to vest and be exercisable; it being clarified that such Awards may lose their entitlement to certain tax benefits under Applicable Law (including, without limitation, qualification of an Award as an Incentive Stock Option) as a result of the modification of such Awards and/or in the event that the Award is exercised beyond the later of: (i) three (3) months after the date of termination of the employment or service relationship; or (ii) the applicable period under Section 6.7 below with respect to a termination of the employment or service relationship because of the death, Disability or Retirement of Grantee.

6.6.4 For purposes of this Plan:

6.6.4.1. A termination of employment or service relationship of a Grantee shall not be deemed to occur (except to the extent required by the Code with respect to the Incentive Stock Option status of an Option) in case of (i) a transition or transfer of a Grantee among the Company and its Affiliates, (ii) a change in the capacity in which the Grantee is employed or renders service to the Company or any of its Affiliates or a change in the identity of the employing or engagement entity among the Company and its Affiliates, provided, in case of the foregoing clauses (i) and (ii) above, that the Grantee has remained continuously employed by and/or in the service of the Company and its Affiliates since the date of grant of the Award and throughout the vesting period; or (iii) if the Grantee takes any unpaid leave as set forth in Section 6.8 below.

6.6.4.2. An entity or an Affiliate thereof assuming an Award or issuing in substitution thereof in a transaction to which Section 424(a) of the Code applies or in a Merger/Sale in accordance with Section 14 shall be deemed as an Affiliate of the Company for purposes of this Section 6.6, unless the Committee determines otherwise.

6.6.4.3. In the case of a Grantee whose principal employer or service recipient is a Subsidiary or other Affiliate thereof, the Grantee's employment or service relationship shall also be deemed terminated for purposes of this Section 6.6 as of the date on which such principal employer or service recipient ceases to be a Subsidiary or other Affiliate thereof.

6.6.4.4. The term "Cause" shall mean (irrespective of, and in addition to, any definition included in any other agreement or instrument applicable to the Grantee, and unless otherwise determined by the Committee) any of the following: (i) any theft, fraud, embezzlement, dishonesty, willful misconduct, breach of fiduciary duty for personal profit, falsification of any documents or records of the Company or any of its Affiliates, felony or similar act by the Grantee (whether or not related to the Grantee's relationship with the Company); (ii) an act of moral turpitude by the Grantee, or any act that causes significant injury to, or is otherwise adversely affecting, the reputation, business, assets, operations or business relationship of the Company (or a Subsidiary or other Affiliate thereof, when applicable); (iii) any breach by the Grantee of any material agreement with or of any material duty of the Grantee to the Company or any Subsidiary or other Affiliate thereof (including breach of confidentiality, non-disclosure, non-use non-competition or non-solicitation covenants towards the Company or any of its Affiliates) or failure to abide by code of conduct or other policies (including, without limitation, policies relating to

confidentiality and reasonable workplace conduct); (iv) any act which constitutes a breach of a Grantee's fiduciary duty towards the Company or a Subsidiary or other Affiliate thereof, including disclosure of confidential or proprietary information thereof or acceptance or solicitation to receive unauthorized or undisclosed benefits, irrespective of their nature, or funds, or promises to receive either, from individuals, consultants or corporate entities with whom the Company or a Subsidiary or other Affiliate thereof conducts business; (v) the Grantee's unauthorized use, misappropriation, destruction, or diversion of any tangible or intangible asset or corporate opportunity of the Company or any of its Affiliates (including, without limitation, the improper use or disclosure of confidential or proprietary information); or (vi) any circumstances that constitute grounds for termination for cause under the Grantee's employment or service agreement with the Company or Affiliate, to the extent applicable. For the avoidance of doubt, the determination as to whether a termination is for Cause for purposes of this Plan, shall be made in good faith by the Committee and shall be final and binding on the Grantee.

6.7. Death, Disability or Retirement of Grantee.

6.7.1 If a Grantee shall die while employed by, or performing service for, the Company or any of its Affiliates, or within the three (3) month period (or such longer period of time as determined by the Board, in its discretion) after the date of termination of such Grantee's employment or service (or within such different period as the Committee may have provided pursuant to Section 6.6 hereof), or if the Grantee's employment or service with the Company or any of its Affiliates shall terminate by reason of Disability, all Awards theretofore granted to such Grantee may (to the extent otherwise vested and exercisable and unless earlier terminated in accordance with their terms) be exercised by the Grantee or by the Grantee's estate or by a person who acquired the legal right to exercise such Awards by bequest or inheritance, or by a person who acquired the legal right to exercise such Awards in accordance with applicable law in the case of Disability of the Grantee, as the case may be, at any time within one (1) year (or such longer period of time as determined by the Committee, in its discretion) after the death or Disability of the Grantee (or such different period as the Committee shall prescribe), but in any event no later than the date of expiration of the Award's term as set forth in the Award Agreement or pursuant to this Plan. In the event that an Award granted hereunder shall be exercised as set forth above by any person other than the Grantee, written notice of such exercise shall be accompanied by a certified copy of letters testamentary or proof satisfactory to the Committee of the right of such person to exercise such Award.

6.7.2 In the event that the employment or service of a Grantee shall terminate on account of such Grantee's Retirement, all Awards of such Grantee that are exercisable at the time of such Retirement may, unless earlier terminated in accordance with their terms, be exercised at any time within the three (3) month period after the date of such Retirement (or such different period as the Committee shall prescribe).

6.8. Suspension of Vesting. Unless the Committee provides otherwise, vesting of Awards granted hereunder shall be suspended during any unpaid leave of absence, other than in the case of any (i) leave of absence which was pre-approved by the Company explicitly for purposes of continuing the vesting of Awards, or (ii) transfers between locations of the Company or any of its Affiliates, or between the Company and any of its Affiliates, or any respective successor thereof. For clarity, for purposes of this Plan, military leave, statutory maternity or paternity leave or sick leave are not deemed unpaid leave of absence, unless otherwise determined by the Committee.

6.9. Securities Law Restrictions. Except as otherwise provided in the applicable Award Agreement or other agreement between the Service Provider and the Company, if the exercise of an Award following the termination of the Service Provider's employment or service (other than for Cause) would be prohibited at any time solely because the issuance of Shares would violate the registration requirements under the Securities Act or equivalent requirements under equivalent laws of other applicable jurisdictions, then the Award shall remain exercisable and terminate on the earlier of (i) the expiration of a period of three (3) months (or such longer period of time as determined by the Committee, in its discretion) after the termination of the Service Provider's employment or service during which the exercise of the Award would not be in

such violation, or (ii) the expiration of the term of the Award as set forth in the Award Agreement or pursuant to this Plan. In addition, unless otherwise provided in a Grantee's Award Agreement, if the sale of any Shares received upon exercise or (if applicable) vesting of an Award following the termination of the Grantee's employment or service (other than for Cause) would violate the Company's insider trading policy, then the Award shall terminate on the earlier of (i) the expiration of a period equal to the applicable post-termination exercise period after the termination of the Grantee's employment or service during which the exercise of the Award would not be in violation of the Company's insider trading policy, or (ii) the expiration of the term of the Award as set forth in the applicable Award Agreement or pursuant to this Plan.

6.10. Other Provisions. The Award Agreement evidencing Awards under this Plan shall contain such other terms and conditions not inconsistent with this Plan as the Committee may determine, at or after the date of grant, including provisions in connection with the restrictions on transferring the Awards or Shares covered by such Awards, which shall be binding upon the Grantees and any purchaser, assignee or transferee of any Awards, and other terms and conditions as the Committee shall deem appropriate.

## 7. NONQUALIFIED STOCK OPTIONS.

Awards granted pursuant to this Section 7 are intended to constitute Nonqualified Stock Options and shall be subject to the general terms and conditions specified in Section 6 hereof and other provisions of this Plan, except for any provisions of this Plan applying to Awards under different tax laws or regulations. In the event of any inconsistency or contradictions between the provisions of this Section 7 and the other terms of this Plan, this Section 7 shall prevail. However, if for any reason the Awards granted pursuant to this Section 7 (or portion thereof) does not qualify as an Incentive Stock Option, then, to the extent of such non-qualification, such Option (or portion thereof) shall be regarded as a Nonqualified Stock Option granted under this Plan. In no event will the Board, the Company or any Parent or Subsidiary or any of their respective employees or directors have any liability to Grantee (or any other person) due to the failure of the Option to qualify for any reason as an Incentive Stock Option.

7.1. Certain Limitations on Eligibility for Nonqualified Stock Options. Nonqualified Stock Options may not be granted to a Service Provider who is deemed to be a resident of the United States for purposes of taxation or who is otherwise subject to United States federal income tax unless the Shares underlying such Options constitute "service recipient stock" under Section 409A of the Code or unless such Options comply with the payment requirements of Section 409A of the Code.

7.2. Exercise Price. The Exercise Price of a Nonqualified Stock Option shall not be less than 100% of the Fair Market Value of a Share on the date of grant of such Option unless the Committee specifically indicates that the Awards will have a lower Exercise Price and the Award complies with Section 409A of the Code. Notwithstanding the foregoing, a Nonqualified Stock Option may be granted with an exercise price lower than the minimum exercise price set forth above if such Award is granted pursuant to an assumption or substitution for another option in a manner qualifying under the provisions of that complies with Section 424(a) of the Code 1.409A-1(b)(5)(v)(D) of the U.S. Treasury Regulations or any successor guidance.

## 8. INCENTIVE STOCK OPTIONS.

Awards granted pursuant to this Section 8 are intended to constitute Incentive Stock Options and shall be granted subject to the following special terms and conditions, the general terms and conditions specified in Section 6 hereof and other provisions of this Plan, except for any provisions of this Plan applying to Awards under different tax laws or regulations. In the event of any inconsistency or contradictions between the provisions of this Section 8 and the other terms of this Plan, this Section 8 shall prevail.

8.1. Eligibility for Incentive Stock Options. Incentive Stock Options may be granted only to Employees of the Company, or to Employees of a Parent or Subsidiary, determined as of the date of grant of such Options. An Incentive Stock Option granted to a prospective Employee upon the condition that such person become an Employee shall be deemed granted effective on the date such person commences employment, with an exercise price determined as of such date in accordance with Section 8.2.

8.2. Exercise Price. The Exercise Price of an Incentive Stock Option shall not be less than one hundred percent (100%) of the Fair Market Value of the Shares covered by the Awards on the date of grant of such Option or such other price as may be determined pursuant to the Code. Notwithstanding the foregoing, an Incentive Stock Option may be granted with an exercise price lower than the minimum exercise price set forth above if such Award is granted pursuant to an assumption or substitution for another option in a manner that complies with the provisions of Section 424(a) of the Code.

8.3. Date of Grant. Notwithstanding any other provision of this Plan to the contrary, no Incentive Stock Option may be granted under this Plan after 10 years from the date this Plan is adopted, or the date this Plan is approved by the shareholders, whichever is earlier.

8.4. Exercise Period. No Incentive Stock Option shall be exercisable after the expiration of seven (7) years after the effective date of grant of such Award, subject to Section 8.6. No Incentive Stock Option granted to a prospective Employee may become exercisable prior to the date on which such person commences employment.

8.5. \$100,000 Per Year Limitation. The aggregate Fair Market Value (determined as of the date the Incentive Stock Option is granted) of the Shares with respect to which all Incentive Stock Options granted under this Plan and all other "incentive stock option" plans of the Company, or of any Parent or Subsidiary, become exercisable for the first time by each Grantee during any calendar year shall not exceed one hundred thousand United States dollars (\$100,000) with respect to such Grantee. To the extent that the aggregate Fair Market Value of Shares with respect to which such Incentive Stock Options and any other such incentive stock options are exercisable for the first time by any Grantee during any calendar year exceeds one hundred thousand United States dollars (\$100,000), such options shall be treated as Nonqualified Stock Options. The foregoing shall be applied by taking options into account in the order in which they were granted. If the Code is amended to provide for a different limitation from that set forth in this Section 8.5, such different limitation shall be deemed incorporated herein effective as of the date and with respect to such Awards as required or permitted by such amendment to the Code. If an Option is treated as an Incentive Stock Option in part and as a Nonqualified Stock Option in part by reason of the limitation set forth in this Section 8.5, the Grantee may designate which portion of such Option the Grantee is exercising. In the absence of such designation, the Grantee shall be deemed to have exercised the Incentive Stock Option portion of the Option first. Separate certificates representing each such portion may be issued upon the exercise of the Option.

8.6. Ten Percent Shareholder. In the case of an Incentive Stock Option granted to a Ten Percent Shareholder, notwithstanding the foregoing provisions of this Section 8, (i) the Exercise Price shall not be less than one hundred and ten percent (110%) of the Fair Market Value of a Share on the date of grant of such Incentive Stock Option, and (ii) the Exercise Period shall not exceed five (5) years from the effective date of grant of such Incentive Stock Option.

8.7. Payment of Exercise Price. Each Award Agreement evidencing an Incentive Stock Option shall state each alternative method by which the Exercise Price thereof may be paid.

8.8. Leave of Absence. Notwithstanding Section 6.8, a Grantee's employment shall not be deemed to have terminated if the Grantee takes any leave as set forth in Section 6.8(i); provided, however, that if any such leave exceeds three (3) months, on the day that is three (3) months following the commencement of such leave any Incentive Stock Option held by the Grantee shall cease to be treated as an Incentive Stock Option and instead shall be treated thereafter as a Nonqualified Stock Option, unless the Grantee's right to return to employment is guaranteed by statute or contract.

8.9. Exercise Following Termination. Notwithstanding anything else in this Plan to the contrary, Incentive Stock Options that are not exercised within three (3) months following termination of the Grantee's employment with the Company or its Parent or Subsidiary or with a corporation (or a parent or subsidiary of such corporation) issuing or assuming an Option of such Grantee in a transaction to which Section 424(a) of the Code applies, or within one year in case of termination of the Grantee's employment with the Company or its Parent or Subsidiary due to a Disability (within the meaning of Section 22(e)(3) of the Code), shall be deemed to be Nonqualified Stock Options.

8.10. Notice to Company of Disqualifying Disposition. Each Grantee who receives an Incentive Stock Option must agree to notify the Company in writing immediately after the Grantee makes a Disqualifying Disposition of any Shares received pursuant to the exercise of Incentive Stock Options. A "Disqualifying Disposition" is any disposition (including any sale) of such Shares before the later of (i) two

years after the date the Grantee was granted the Incentive Stock Option, or (ii) one year after the date the Grantee acquired Shares by exercising the Incentive Stock Option. If the Grantee dies before such Shares are sold, these holding period requirements do not apply and no disposition of the Shares will be deemed a Disqualifying Disposition.

## 9. 102 AWARDS.

Awards granted pursuant to this Section 9 are intended to constitute 102 Awards and shall be granted subject to the following special terms and conditions, the general terms and conditions specified in Section 6 hereof and other provisions of this Plan, except for any provisions of this Plan applying to Awards under different tax laws or regulations. In the event of any inconsistency or contradictions between the provisions of this Section 9 and the other terms of this Plan, this Section 9 shall prevail.

9.1. Tracks. Awards granted pursuant to this Section 9 are intended to be granted pursuant to Section 102 of the Ordinance pursuant to either (i) Section 102(b)(2) or (3) thereof (as applicable), under the capital gain track (“102 Capital Gain Track Awards”), or (ii) Section 102(b)(1) thereof under the ordinary income track (“102 Ordinary Income Track Awards”, and together with 102 Capital Gain Track Awards, “102 Trustee Awards”). 102 Trustee Awards shall be granted subject to the special terms and conditions contained in this Section 9, the general terms and conditions specified in Section 6 hereof and other provisions of this Plan, except for any provisions of this Plan applying to Options under different tax laws or regulations.

9.2. Election of Track. Subject to Applicable Law, the Company may grant only one type of 102 Trustee Awards at any given time to all Grantees who are to be granted 102 Trustee Awards pursuant to this Plan, and shall file an election with the ITA regarding the type of 102 Trustee Awards it elects to grant before the date of grant of any 102 Trustee Awards (the “Election”). Such Election shall also apply to any other securities, including bonus shares, received by any Grantee as a result of holding the 102 Trustee Awards. The Company may change the type of 102 Trustee Awards that it elects to grant only after the expiration of at least 12 months from the end of the year in which the first grant was made in accordance with the previous Election, or as otherwise provided by Applicable Law. Any Election shall not prevent the Company from granting Awards, pursuant to Section 102(c) of the Ordinance without a Trustee (“102 Non-Trustee Awards”).

### 9.3. Eligibility for Awards.

9.3.1 Subject to Applicable Law, 102 Awards may only be granted to an “employee” within the meaning of Section 102(a) of the Ordinance (which as of the date of the adoption of this Plan means (i) individuals employed by an Israeli company being the Company or any of its Affiliates, and (ii) individuals who are serving and are engaged personally (and not through an entity) as “office holders” by such an Israeli company), but may not be granted to a Controlling Shareholder (“Eligible 102 Grantees”). Eligible 102 Grantees may receive only 102 Awards, which may either be granted to a Trustee or granted under Section 102 of the Ordinance without a Trustee.

### 9.4. 102 Award Grant Date.

9.4.1 Each 102 Award will be deemed granted on the date determined by the Committee, subject to Section 9.4.2, provided that (i) the Grantee has signed all documents required by the Company or pursuant to Applicable Law, and (ii) with respect to 102 Trustee Award, the Company has provided all applicable documents to the Trustee in accordance with the guidelines published by the ITA, and if an agreement is not signed and delivered by the Grantee within 90 days from the date determined by the Committee (subject to Section 9.4.2), then such 102 Trustee Award shall be deemed granted on such later date as such agreement is signed and delivered and on which the Company has provided all applicable documents to the Trustee in accordance with the guidelines published by the ITA. In the case of any contradiction, this provision and the date of grant determined pursuant hereto shall supersede and be deemed to amend any date of grant indicated in any corporate resolution or Award Agreement.



9.4.2 Unless otherwise permitted by the Ordinance, any grants of 102 Trustee Awards that are made on or after the date of the adoption of this Plan or an amendment to this Plan, as the case may be, that may become effective only at the expiration of thirty (30) days after the filing of this Plan or any amendment thereof (as the case may be) with the ITA in accordance with the Ordinance shall be conditional upon the expiration of such 30-day period, such condition shall be read and is incorporated by reference into any corporate resolutions approving such grants and into any Award Agreement evidencing such grants (whether or not explicitly referring to such condition), and the date of grant shall be at the expiration of such 30-day period, whether or not the date of grant indicated therein corresponds with this Section. In the case of any contradiction, this provision and the date of grant determined pursuant hereto shall supersede and be deemed to amend any date of grant indicated in any corporate resolution or Award Agreement.

#### 9.5. 102 Trustee Awards.

9.5.1 Each 102 Trustee Award, each Share issued pursuant to the exercise of any 102 Trustee Award, and any rights granted thereunder, including bonus shares, shall be issued to and registered in the name of the Trustee and shall be held in trust for the benefit of the Grantee for the requisite period prescribed by the Ordinance (the “Required Holding Period”). In the event that the requirements under Section 102 of the Ordinance to qualify an Award as a 102 Trustee Award are not met, then the Award may be treated as a 102 Non-Trustee Award or 3(9) Award, all in accordance with the provisions of the Ordinance. After expiration of the Required Holding Period, the Trustee may release such 102 Trustee Awards and any such Shares, provided that (i) the Trustee has received an acknowledgment from the ITA that the Grantee has paid any applicable taxes due pursuant to the Ordinance, or (ii) the Trustee and/or the Company and/or the Employer withholds all applicable taxes and compulsory payments due pursuant to the Ordinance arising from the 102 Trustee Awards and/or any Shares issued upon exercise or (if applicable) vesting of such 102 Trustee Awards. The Trustee shall not release any 102 Trustee Awards or Shares issued upon exercise or (if applicable) vesting thereof prior to the payment in full of the Grantee’s tax and compulsory payments arising from such 102 Trustee Awards and/or Shares or the withholding referred to in (ii) above.

9.5.2 Each 102 Trustee Award shall be subject to the relevant terms of the Ordinance, the Rules and any determinations, rulings or approvals issued by the ITA, which shall be deemed an integral part of the 102 Trustee Awards and shall prevail over any term contained in this Plan or Award Agreement that is not consistent therewith. Any provision of the Ordinance, the Rules and any determinations, rulings or approvals by the ITA not expressly specified in this Plan or Award Agreement that are necessary to receive or maintain any tax benefit pursuant to Section 102 of the Ordinance shall be binding on the Grantee. Any Grantee granted a 102 Trustee Awards shall comply with the Ordinance and the terms and conditions of the trust agreement entered into between the Company and the Trustee. The Grantee shall execute any and all documents that the Company and/or its Affiliates and/or the Trustee determine from time to time to be necessary in order to comply with the Ordinance and the Rules.

9.5.3 During the Required Holding Period, the Grantee shall not release from trust or sell, assign, transfer or give as collateral, the Shares issuable upon the exercise or (if applicable) vesting of a 102 Trustee Awards and/or any securities issued or distributed with respect thereto, until the expiration of the Required Holding Period. Notwithstanding the above, if any such sale, release or other action occurs during the Required Holding Period it may result in adverse tax consequences to the Grantee under Section 102 of the Ordinance and the Rules, which shall apply to and shall be borne solely by such Grantee. Subject to the foregoing, the Trustee may, pursuant to a written request from the Grantee, but subject to the terms of this Plan, release and transfer such Shares to a designated third party, provided that both of the following conditions have been fulfilled prior to such release or transfer: (i) payment has been made to the ITA of all taxes and compulsory payments required to be paid upon the release and transfer of the Shares, and confirmation of such payment has been received by the Trustee and the Company, and (ii) the Trustee has received written confirmation from the Company that all requirements for such release and transfer have been fulfilled according to the terms of the Company’s corporate documents, any agreement governing the Shares, this Plan, the Award Agreement and any Applicable Law.

9.5.4 If a 102 Trustee Award is exercised or (if applicable) vested, the Shares issued upon such exercise or (if applicable) vesting shall be issued in the name of the Trustee for the benefit of the Grantee.

9.5.5 Upon or after receipt of a 102 Trustee Award, if required, the Grantee may be required to sign an undertaking to release the Trustee from any liability with respect to any action or decision duly taken and executed in good faith by the Trustee in relation to this Plan, or any 102 Trustee Awards or Share granted to such Grantee thereunder.

9.6. 102 Non-Trustee Awards. The foregoing provisions of this Section 9 relating to 102 Trustee Awards shall not apply with respect to 102 Non-Trustee Awards, which shall, however, be subject to the relevant provisions of Section 102 of the Ordinance and the applicable Rules. The Committee may determine that 102 Non-Trustee Awards, the Shares issuable upon the exercise or (if applicable) vesting of a 102 Non-Trustee Awards and/or any securities issued or distributed with respect thereto, shall be allocated or issued to the Trustee, who shall hold such 102 Non-Trustee Awards and all accrued rights thereon (if any), in trust for the benefit of the Grantee and/or the Company, as the case may be, until the full payment of tax arising from the 102 Non-Trustee Awards, the Shares issuable upon the exercise or (if applicable) vesting of a 102 Non-Trustee Awards and/or any securities issued or distributed with respect thereto. The Company may choose, alternatively, to force the Grantee to provide it with a guarantee or other security, to the satisfaction of each of the Trustee and the Company, until the full payment of the applicable taxes.

9.7. Written Grantee Undertaking. To the extent and with respect to any 102 Trustee Award, and as required by Section 102 of the Ordinance and the Rules, by virtue of the receipt of such Award, the Grantee is deemed to have provided, undertaken and confirmed the following written undertaking (and such undertaking is deemed incorporated into any documents signed by the Grantee in connection with the employment or service of the Grantee and/or the grant of such Award), which undertaking shall be deemed to apply and relate to all 102 Trustee Awards granted to the Grantee, whether under this Plan or other plans maintained by the Company, and whether prior to or after the date hereof.

9.7.1 The Grantee shall comply with all terms and conditions set forth in Section 102 of the Ordinance with regard to the “Capital Gain Track” or the “Ordinary Income Track”, as applicable, and the applicable rules and regulations promulgated thereunder, as amended from time to time;

9.7.2 The Grantee is familiar with, and understands the provisions of, Section 102 of the Ordinance in general, and the tax arrangement under the “Capital Gain Track” or the “Ordinary Income Track” in particular, and its tax consequences; the Grantee agrees that the 102 Trustee Awards and Shares that may be issued upon exercise or (if applicable) vesting of the 102 Trustee Awards (or otherwise in relation to the 102 Trustee Awards), will be held by the Trustee appointed pursuant to Section 102 of the Ordinance for at least the duration of the “Holding Period” (as such term is defined in Section 102) under the “Capital Gain Track” or the “Ordinary Income Track”, as applicable. The Grantee understands that any release of such 102 Trustee Awards or Shares from trust, or any sale of the Share prior to the termination of the Holding Period, as defined above, will result in taxation at marginal tax rate, in addition to deductions of appropriate social security, health tax contributions or other compulsory payments; and

9.7.3 The Grantee agrees to the trust agreement signed between the Company, the Employer and the Trustee appointed pursuant to Section 102 of the Ordinance.

#### 10. 3(I) AWARDS.

Awards granted pursuant to this Section 10 are intended to constitute 3(i) Awards and shall be granted subject to the general terms and conditions specified in Section 6 hereof and other provisions of this Plan, except for any provisions of this Plan applying to Awards under different tax laws or regulations. In the event of any inconsistency or contradictions between the provisions of this Section 10 and the other terms of this Plan, this Section 10 shall prevail.

10.1. To the extent required by the Ordinance or the ITA or otherwise deemed by the Committee to be advisable, the 3(i) Awards and/or any shares or other securities issued or distributed with respect thereto granted pursuant to this Plan shall be issued to a Trustee nominated by the Committee in accordance with the provisions of the Ordinance or the terms of a trust agreement, as applicable. In such event, the Trustee shall hold such Awards and or other securities issued or distributed with respect thereto in trust, until exercised or (if applicable) vested by the Grantee and the full payment of tax arising therefrom, pursuant to the Company's instructions from time to time as set forth in a trust agreement, which will have been entered into between the Company and the Trustee. If determined by the Board or the Committee, and subject to such trust agreement, the Trustee shall be responsible for withholding any taxes to which a Grantee may become liable upon issuance of Shares, whether due to the exercise or (if applicable) vesting of Awards.

10.2. Shares pursuant to a 3(9) Award shall not be issued, unless the Grantee delivers to the Company payment in cash or by bank check or such other form acceptable to the Committee of all withholding taxes due, if any, on account of the Grantee acquired Shares under the Award or gives other assurance satisfactory to the Committee of the payment of those withholding taxes.

## 11. RESTRICTED SHARES.

The Committee may award Restricted Shares to any eligible Grantee, including under Section 102 of the Ordinance. Each Award of Restricted Shares under this Plan shall be evidenced by a written agreement between the Company and the Grantee (the "Restricted Share Agreement"), in such form as the Committee shall from time to time approve. The Restricted Shares shall be subject to all applicable terms of this Plan, which in the case of Restricted Shares granted under Section 102 of the Ordinance shall include Section 9 hereof, and may be subject to any other terms that are not inconsistent with this Plan. The provisions of the various Restricted Shares Agreements entered into under this Plan need not be identical with respect to any two Awards or Guarantees. The Restricted Share Agreement shall comply with and be subject to Section 6 and the following terms and conditions, unless otherwise specifically provided in such Agreement and not inconsistent with this Plan or Applicable Law:

11.1. Purchase Price. Section 6.4 shall not apply. Each Restricted Share Agreement shall state an amount of Exercise Price to be paid by the Grantee, if any, in consideration for the issuance of the Restricted Shares and the terms of payment thereof, which may include payment in cash or, subject to the Committee's approval, by issuance of promissory notes or other evidence of indebtedness on such terms and conditions as determined by the Committee.

11.2. Restrictions. Restricted Shares may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution (in which case they shall be transferred subject to all restrictions then or thereafter applicable thereto), until such Restricted Shares shall have vested (the period from the date on which the Award is granted until the date of vesting of the Restricted Shares thereunder being referred to herein as the "Restricted Period"). The Committee may also impose such additional or alternative restrictions and conditions on the Restricted Shares, as it deems appropriate, including the satisfaction of performance criteria (which, in case of 102 Trustee Awards, may be subject to obtaining a specific tax ruling or determination from the ITA). Such performance criteria may include, but are not limited to, sales, earnings before interest and taxes, return on investment, earnings per share, any combination of the foregoing or rate of growth of any of the foregoing, as determined by the Committee or pursuant to the provisions of any Company policy required under mandatory provisions of Applicable Law. Certificates for shares issued pursuant to Restricted Share Awards, if issued, shall bear an appropriate legend referring to such restrictions, and any attempt to dispose of any such shares in contravention of such restrictions shall be null and void and without effect. Such certificates may, if so determined by the Committee, be held in escrow by an escrow agent appointed by the Committee, or, if a Restricted Share Award is made pursuant to Section 102 of the Ordinance, by the Trustee. In determining the Restricted Period of an Award the Committee may provide that the foregoing restrictions shall lapse with respect to specified percentages of the awarded Restricted Shares on successive anniversaries of the date of such Award. To the extent required by the Ordinance or the ITA, the Restricted Shares issued pursuant to Section 102 of the Ordinance shall be issued to the Trustee in accordance with the provisions of the Ordinance and the Restricted Shares shall be held for the benefit of the Grantee for at least the Required Holding Period.

11.3. Forfeiture: Repurchase. Subject to such exceptions as may be determined by the Committee, if the Grantee's continuous employment with or service to the Company or any Affiliate thereof shall terminate (such that Grantee is no longer a Service Provider of either the Company or any Affiliate thereof) for any reason prior to the expiration of the Restricted Period of an Award or prior to the timely payment in full of the Exercise Price of any Restricted Shares, any Restricted Shares remaining subject to vesting or with respect to which the purchase price has not been paid in full, shall thereupon be forfeited, transferred to, and redeemed, repurchased or cancelled by, as the case may be, in any manner as set forth in Section 6.6.2(i) through (v), subject to Applicable Law and the Grantee shall have no further rights with respect to such Restricted Shares.

11.4. Ownership. During the Restricted Period the Grantee shall possess all incidents of ownership of such Restricted Shares, subject to Section 6.10 and Section 11.2, including the right to vote and receive dividends with respect to such Shares. All securities, if any, received by a Grantee with respect to Restricted Shares as a result of any stock split, stock dividend, combination of shares, or other similar transaction shall be subject to the restrictions applicable to the original Award.

## 12. RESTRICTED SHARE UNITS.

An RSU is an Award covering a number of Shares that is settled, if vested and (if applicable) exercised, by issuance of those Shares. An RSU may be awarded to any eligible Grantee, including under Section 102 of the Ordinance. The Award Agreement relating to the grant of RSUs under this Plan (the "Restricted Share Unit Agreement"), shall be in such form as the Committee shall from time to time approve. The RSUs shall be subject to all applicable terms of this Plan, which in the case of RSUs granted under Section 102 of the Ordinance shall include Section 9 hereof, and may be subject to any other terms that are not inconsistent with this Plan. The provisions of the various Restricted Share Unit Agreements entered into under this Plan need not be identical. RSUs may be granted in consideration of a reduction in the recipient's other compensation.

12.1. Exercise Price. No payment of Exercise Price shall be required as consideration for RSUs, unless included in the Award Agreement or as required by Applicable Law (including, Section 304 of the Companies Law), and Section 6.4 shall apply, if applicable.

12.2. Shareholders' Rights. The Grantee shall not possess or own any ownership rights in the Shares underlying the RSUs and no rights as a shareholder shall exist prior to the actual issuance of Shares in the name of the Grantee.

12.3. Settlements of Awards. Settlement of vested RSUs shall be made in the form of Shares. Distribution to a Grantee of an amount (or amounts) from settlement of vested RSUs can be deferred to a date after vesting as determined by the Committee. The amount of a deferred distribution may be increased by an interest factor or by dividend equivalents. Until the grant of RSUs is settled, the number of Shares underlying such RSUs shall be subject to adjustment pursuant hereto.

12.4. Section 409A Restrictions. Notwithstanding anything to the contrary set forth herein, any RSUs granted under this Plan that are not exempt from the requirements of Section 409A of the Code shall contain such restrictions or other provisions so that such RSUs will comply with the requirements of Section 409A of the Code, if applicable to the Company. Such restrictions, if any, shall be determined by the Committee and contained in the Restricted Share Unit Agreement evidencing such RSU. For example, such restrictions may include a requirement that any Shares that are to be issued in a year following the year in which the RSU vests must be issued in accordance with a fixed, pre-determined schedule.

## 13. OTHER SHARE OR SHARE-BASED AWARDS.

13.1. The Committee may grant other Awards under this Plan pursuant to which Shares (which may, but need not, be Restricted Shares pursuant to Section 11 hereof), cash (in settlement of Share-based Awards) or a combination thereof, are or may in the future be acquired or received, or Awards denominated in stock units, including units valued on the basis of measures other than market value.

13.2. The Committee may also grant stock appreciation rights without the grant of an accompanying option, which rights shall permit the Grantees to receive, at the time of any exercise of such rights, cash equal to the amount by which the Fair Market Value of the Shares in respect to which the right was granted is so exercised exceeds the exercise price thereof. The exercise price of any such stock appreciation right granted to a Grantee who is subject to U.S. federal income tax shall be determined in compliance with Section 7.2.

13.3. Such other Share-based Awards as set forth above may be granted alone, in addition to, or in tandem with any Award of any type granted under this Plan (without any obligation or assurance that that such Share-based Awards will be entitled to tax benefits under Applicable Law or to the same tax treatment as other Awards under this Plan).

#### 14. EFFECT OF CERTAIN CHANGES.

14.1. General. In the event of a division or subdivision of the outstanding share capital of the Company, any distribution of bonus shares (stock split), consolidation or combination of share capital of the Company (reverse stock split), reclassification with respect to the Shares or any similar recapitalization events (each, a "Recapitalization"), a merger (including, a reverse merger and a reverse triangular merger), consolidation, amalgamation or like transaction of the Company with or into another corporation, a reorganization (which may include a combination or exchange of shares, spin-off or other corporate divestiture or division, or other similar occurrences, the Committee shall make, without the need for a consent of any holder of an Award, such adjustments as determined by the Committee to be appropriate, in its discretion, in order to adjust (i) the number and class of shares reserved and available for grants of Awards, (ii) the number and class of shares covered by outstanding Awards, (iii) the Exercise Price per share covered by any Award, (iv) the terms and conditions concerning vesting and exercisability and the term and duration of the outstanding Awards, (v) the type or class of security, asset or right underlying the Award (which need not be only that of the Company, and may be that of the surviving corporation or any affiliate thereof or such other entity party to any of the above transactions), and (vi) any other terms of the Award that in the opinion of the Committee should be adjusted. Any fractional shares resulting from such adjustment shall be treated as determined by the Committee, and in the absence of such determination shall be rounded to the nearest whole share, and the Company shall have no obligation to make any cash or other payment with respect to such fractional shares. No adjustment shall be made by reason of the distribution of subscription rights or rights offering to outstanding shares or other issuance of shares by the Company, unless the Committee determines otherwise. The adjustments determined pursuant to this Section 14.1 (including a determination that no adjustment is to be made) shall be final, binding and conclusive.

Notwithstanding anything to the contrary included herein, and subject to Applicable Law and the applicable accounting standards, in the event of a distribution of cash dividend by the Company to all holders of Shares, the Committee shall have the authority to determine, without the need for a consent of any holder of an Award, that the Exercise Price of any Award, which is outstanding and unexercised on the record date of such distribution, shall be reduced by an amount equal to the per Share gross dividend amount distributed by the Company, and the Committee may determine that the Exercise Price following such reduction shall be not less than the par value of a Share (if such Shares bear a par value). The application of this Section with respect to any 102 Awards shall be subject to obtaining a ruling from the ITA, to the extent required by applicable law and subject to the terms and conditions of any such ruling.

14.2. Merger/Sale of Company. In the event of (i) a sale of all or substantially all of the assets of the Company, or a sale (including an exchange) of all or substantially all of the shares of the Company, to any person, or a purchase by a shareholder of the Company or by an Affiliate of such shareholder, of all the shares of the Company held by all or substantially all other shareholders or by other shareholders who are not Affiliated with such acquiring party; (ii) a merger (including, a reverse merger and a reverse triangular merger), consolidation, amalgamation or like transaction of the Company with or into another corporation; (iii) a scheme of arrangement for the purpose of effecting such sale, merger, consolidation, amalgamation or other transaction; (iv) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company, (v) Change in Board Event, or (vi) such other transaction or set of circumstances that is determined by the Board, in its discretion, to be a transaction subject to the provisions of this Section 14.2 excluding any of the foregoing transactions in clauses (i) through (iv) if the Board determines that such transaction should be excluded from the definition hereof and the applicability of this Section 14.2 (each of the foregoing transactions, a "Merger/Sale"), then, without derogating from the general authority and power of the Board or the Committee under this Plan, without the Grantee's consent and action and without any prior notice requirement, the Committee may make, in its sole and absolute discretion, any determination as to the treatment of Awards, as provided herein:

14.2.1 Unless otherwise determined by the Committee, any Award then outstanding shall be assumed or be substituted by the Company, or by the successor corporation in such Merger/Sale or by any parent or Affiliate thereof, as determined by the Committee in its discretion (the "Successor Corporation"), under terms as determined by the Committee or the terms of this Plan applied by the Successor Corporation to such assumed or substituted Awards.

For the purposes of this Section 14.2.1, the Award shall be considered assumed or substituted if, following a Merger/Sale, the Award confers on the holder thereof the right to purchase or receive, for each Share underlying an Award immediately prior to the Merger/Sale, either (i) the consideration (whether shares or other securities, cash or other property, or rights, or any combination thereof) distributed to or received by holders of Shares in the Merger/Sale for each Share held on the effective date of the Merger/Sale (and if holders were offered a choice or several types of consideration, the type of consideration as determined by the Committee, which need not be the same type for all Grantees), or (ii) regardless of the consideration received by the holders of Shares in the Merger/Sale, solely shares or any type of Awards (or their equivalent) of the Successor Corporation at a value to be determined by the Committee in its discretion, or a certain type of consideration (whether shares or other securities, cash or other property, or rights, or any combination thereof) as determined by the Committee. Any of the consideration referred to in the foregoing clauses (i) and (ii) shall be subject to the same vesting and expiration terms of the Awards applying immediately prior to the Merger/Sale, unless determined by the Committee in its discretion that the consideration shall be subject to different vesting and expiration terms, or other terms, and the Committee may determine that it be subject to other or additional terms. The foregoing shall not limit the Committee's authority to determine, that in lieu of such assumption or substitution of Awards for Awards of the Successor Corporation, such Award will be substituted for shares or other securities, cash or other property, or rights, or any combination thereof, including as set forth in Section 14.2.2 hereof.

14.2.2 Regardless of whether or not Awards are assumed or substituted, the Committee may (but shall not be obligated to):

14.2.2.1. provide for the Grantee to have the right to exercise the Award in respect of Shares covered by the Award which would otherwise be exercisable or vested, under such terms and conditions as the Committee shall determine, and the cancellation of all unexercised Awards (whether vested or unvested) upon or immediately prior to the closing of the Merger/Sale, unless the Committee provides for the Grantee to have the right to exercise the Award, or otherwise for the acceleration of vesting of such Award, as to all or part of the Shares covered by the Award which would not otherwise be exercisable or vested, under such terms and conditions as the Committee shall determine;

14.2.2.2. provide for the cancellation of each outstanding Award at or immediately prior to the closing of such Merger/Sale, and if and to what extent payment shall be made to the Grantee of an amount in, shares or other securities of the Company, the acquirer or of a corporation or other business entity which is a party to the Merger/Sale, in cash or other property, in rights, or in any combination thereof, as determined by the Committee to be fair in the circumstances, and subject to such terms and conditions as determined by the Committee. The Committee shall have full authority to select the method for determining the payment (being the intrinsic ("spread") value of the option, Black-Scholes model or any other method). *Inter alia*, and without limitation of the following determination being made in other circumstances, the Committee's determination may provide that payment shall be set to zero if the value of the Shares is determined to be less than the Exercise Price, or in respect of Shares covered by the Award which would not otherwise be exercisable or vested, or that payment may be made only in excess of the Exercise Price; and/or

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14.2.2.3. provide that the terms of any Award shall be otherwise amended, modified or terminated, as determined by the Committee to be fair in the circumstances.

14.2.3 The Committee may, determine: (i) that any payments made in respect of Awards shall be made or delayed to the same extent that payment of consideration to the holders of the Shares in connection with the Merger/Sale is made or delayed as a result of escrows, indemnification, earn outs, holdbacks or any other contingencies or conditions; (ii) the terms and conditions applying to the payment made or payable to the Grantees, including participation in escrow, indemnification, releases, earn-outs, holdbacks or any other contingencies; and (iii) that any terms and conditions applying under the applicable definitive transaction agreements shall apply to the Grantees (including, appointment and engagement of a shareholders or sellers representative, payment of fees or other costs and expenses associated with such services, indemnifying such representative, and authorization to such representative within the scope of such representative's authority in the applicable definitive transaction agreements).

14.2.4 The Committee may, determine to suspend the Grantee's rights to exercise any vested portion of an Award for a period of time prior to the signing or consummation of a Merger/Sale transaction.

14.2.5 Without limiting the generality of this Section 14, if the consideration in exchange for Awards in a Merger/Sale includes any securities and due receipt thereof by any Grantee (or by the Trustee for the benefit of such Grantee) may require under applicable law (i) the registration or qualification of such securities or of any person as a broker or dealer or agent with respect to such securities; or (ii) the provision to any Grantee of any information under the Securities Act or any other securities laws, then the Committee may determine that the Grantee shall be paid in lieu thereof, against surrender of the Shares or cancellation of any other Awards, an amount in cash or other property, or rights, or any combination thereof, as determined by the Committee to be fair in the circumstances, and subject to such terms and conditions as determined by the Committee. Nothing herein shall entitle any Grantee to receive any form of consideration that such Grantee would be ineligible to receive as a result of such Grantee's failure to satisfy (in the Committee's sole determination) any condition, requirement or limitation that is generally applicable to the Company's shareholders, or that is otherwise applicable under the terms of the Merger/Sale, and in such case, the Committee shall determine the type of consideration and the terms applying to such Grantees.

14.2.6 Neither the authorities and powers of the Committee under this Section 14.2, nor the exercise or implementation thereof, shall (i) be restricted or limited in any way by any adverse consequences (tax or otherwise) that may result to any holder of an Award, and (ii) as, *inter alia*, being a feature of the Award upon its grant, be deemed to constitute a change or an amendment of the rights of such holder under this Plan, nor shall any such adverse consequences (as well as any adverse tax consequences that may result from any tax ruling or other approval or determination of any relevant tax authority) be deemed to constitute a change or an amendment of the rights of such holder under this Plan, and may be effected without consent of any Grantee and without any liability to the Company or its Affiliates or to its or their respective officers, directors, employees and representatives and the respective successors and assigns of any of the foregoing. The Committee need not take the same action with respect to all Awards or with respect to all Service Providers. The Committee may take different actions with respect to the vested and unvested portions of an Award. The Committee may determine an amount or type of consideration to be received or distributed in a Merger/Sale which may differ as among the Grantees, and as between the Grantees and any other holders of shares of the Company.

14.2.7 The Committee may determine that upon a Merger/Sale any Shares held by Grantees (or for Grantee's benefit) are sold in accordance with instructions issued by the Committee in connection with such Merger/Sale, which shall be final, conclusive and binding on all Grantees.

14.2.8 All of the Committee's determinations pursuant to this Section 14 shall be at its sole and absolute discretion, and shall be final, conclusive and binding on all Grantees (including, for clarity, as it relates to Shares issued upon exercise or vesting of any Awards or that are Awards, unless otherwise determined by the Committee) and without any liability to the Company or its Affiliates, or to their respective officers, directors, employees, shareholders and representatives, and the respective successors and assigns of any of the foregoing, in connection with the method of treatment, chosen course of action or determinations made hereunder.

14.2.9 If determined by the Committee, the Grantees shall be subject to the definitive agreement(s) in connection with the Merger/Sale as applying to holders of Shares including, such terms, conditions, representations, undertakings, liabilities, limitations, releases, indemnities, appointing and indemnifying shareholders/sellers representative, participating in transaction expenses, shareholders/sellers representative expense fund and escrow arrangement, in each case as determined by the Committee. Each Grantee shall execute (and authorizes any person designated by the Company to so execute, as well as (if applicable) the Trustee holding any Shares for the Grantee's behalf) such separate agreement(s) or instruments as may be requested by the Company, the Successor Corporation or the acquirer in connection with such in such Merger/Sale or otherwise under or for the purpose of implementing this Section 14.2, and in the form required by them. The execution of such separate agreement(s) may be a condition to the receipt of assumed or substituted Awards, payment in lieu of the Award, the exercise of any Award or otherwise to be entitled to benefit from shares or other securities, cash or other property, or rights, or any combination thereof, pursuant to this Section 14.2 (and the Company (and, if applicable, the Trustee) may exercise its authorization above and sign such agreement on behalf of the Grantee or subject the Grantee to the provisions of such agreements).

14.3. Reservation of Rights. Except as expressly provided in this Section 14 (if any), the Grantee of an Award hereunder shall have no rights by reason of any transaction or event referred to in this Section 14 (including, Recapitalization of shares of any class, any increase or decrease in the number of shares of any class, or any dissolution, liquidation, reorganization, business combination, exchange of shares, spin-off or other corporate divestiture or division, or other similar occurrences, or Merger/Sale). Any issue by the Company of shares of any class, or securities convertible into shares of stock of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number, type or price of shares subject to an Award. The grant of an Award pursuant to this Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structures or to merge or to consolidate or to dissolve, liquidate or sell, or transfer all or part of its business or assets or engage in any similar transactions.

#### 15. NON-TRANSFERABILITY OF AWARDS; SURVIVING BENEFICIARY.

15.1. All Awards granted under this Plan by their terms shall not be transferable other than by will or by the laws of descent and distribution, unless otherwise determined by the Committee or under this Plan, provided that with respect to Shares issued upon exercise of Awards, Shares issued upon the vesting of Awards or Awards that are Shares, the restrictions on transfer shall be the restrictions referred to in Section 16 (Conditions upon Issuance of Shares) hereof. Subject to the above provisions, the terms of such Award, this Plan and any applicable Award Agreement shall be binding upon the beneficiaries, executors, administrators, heirs and successors of such Grantee. Awards may be exercised or otherwise realized, during the lifetime of the Grantee, only by the Grantee or by his guardian or legal representative, to the extent provided for herein. Any transfer of an Award not permitted hereunder (including transfers pursuant to any decree of divorce, dissolution or separate maintenance, any property settlement, any separation agreement or any other agreement with a spouse) and any grant of any interest in any Award to, or creation in any way of any direct or indirect interest in any Award by, any party other than the Grantee shall be null and void and shall not confer upon any party or person, other than the Grantee, any rights. A Grantee may file with the Committee a written designation of a beneficiary, who shall be permitted to exercise such Grantee's Award or to whom any benefit under this Plan is to be paid, in each case, in the event of the Grantee's death before he or she fully exercises his or her Award or receives any or all of such benefit, on such form as may be prescribed by the Committee and may, from time to time, amend or revoke such designation. If no



designated beneficiary survives the Grantee, the executor or administrator of the Grantee's estate shall be deemed to be the Grantee's beneficiary. Notwithstanding the foregoing, upon the request of the Grantee and subject to Applicable Law, the Committee, at its sole discretion, may permit the Grantee to transfer the Award to a trust whose beneficiaries are the Grantee and/or the Grantee's immediate family members (all or several of them).

15.2. Notwithstanding any other provisions of the Plan to the contrary, no Incentive Stock Option may be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution or in accordance with a beneficiary designation pursuant to Section 15.1. Further, all Incentive Stock Options granted to a Grantee shall be exercisable during his or her lifetime only by such Grantee.

15.3. As long as the Shares are held by the Trustee in favor of the Grantee, all rights possessed by the Grantee over the Shares are personal, and may not be transferred, assigned, pledged or mortgaged, other than by will or laws of descent and distribution.

15.4. If and to the extent a Grantee is entitled to transfer an Award and/or Shares underlying an Award in accordance with the terms of the Plan and any other applicable agreements, such transfer shall be subject (in addition, to any other conditions or terms applying thereto) to receipt by the Company from such proposed transferee of a written instrument, on a form reasonably acceptable to the Company, pursuant to which such proposed transferee agrees to be bound by all provisions of the Plan and any other applicable agreements, including without limitation, any restrictions on transfer of the Award and/or Shares set forth herein (however, failure to so deliver such instrument to the Company as set forth above shall not derogate from all such provisions applying on any transferee).

15.5. The provisions of this Section 15 shall apply to the Grantee and to any purchaser, assignee or transferee of any Shares.

#### 16. CONDITIONS UPON ISSUANCE OF SHARES; GOVERNING PROVISIONS.

16.1. Legal Compliance. The grant of Awards and the issuance of Shares upon exercise or settlement of Awards shall be subject to compliance with all Applicable Law as determined by the Company, including, applicable requirements of federal, state and foreign law with respect to such securities. The Company shall have no obligations to issue Shares pursuant to the exercise or settlement of an Award and Awards may not be exercised or settled, if the issuance of Shares upon exercise or settlement would constitute a violation of any Applicable Law as determined by the Company, including, applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Shares may then be listed. In addition, no Award may be exercised unless (i) a registration statement under the Securities Act or equivalent law in another jurisdiction shall at the time of exercise or settlement of the Award be in effect with respect to the shares issuable upon exercise of the Award, or (ii) in the opinion of legal counsel to the Company, the shares issuable upon exercise of the Award may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act or equivalent law in another jurisdiction. The inability of the Company to obtain authority from any regulatory body having jurisdiction, if any, deemed by the Company to be necessary to the lawful issuance and sale of any Shares hereunder, and the inability to issue Shares hereunder due to non-compliance with any Company policies with respect to the sale of Shares, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority or compliance shall not have been obtained or achieved. As a condition to the exercise of an Award, the Company may require the person exercising such Award to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any Applicable Law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company, including to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares, all in form and content specified by the Company.

16.2. Provisions Governing Shares. Shares issued pursuant to an Award shall be subject to this Plan and shall be subject to the Articles of Association of the Company, and any other governing documents of the Company and all policies, manuals and internal regulations of the Company, as in effect from time to time.

16.3. Share Purchase Transactions; Forced Sale. In the event that the Board approves a Merger/Sale effected by way of a forced or compulsory sale (whether pursuant to the Company's Articles of Association or pursuant to Section 341 of the Companies Law or any Shareholders Agreement or otherwise) or in the event of a transaction for the sale of all shares of the Company, then, without derogating from such provisions and in addition thereto, the Grantee shall be obligated, and shall be deemed to have agreed to the offer to effect the Merger/Sale (and the Shares held by or for the benefit of the Grantee shall be included in the shares of the Company approving the terms of such Merger/Sale for the purpose of satisfying the required majority), and shall sell all of the Shares held by or for the benefit of the Grantee on the terms and conditions applying to the holders of Shares, in accordance with the instructions then issued by the Board, whose determination shall be final. No Grantee shall contest, bring any claims or demands, or exercise any appraisal or dissenters' rights related to any of the foregoing. Each Grantee shall execute (and authorizes any person designated by the Company to so execute, as well as (if applicable) the Trustee holding any Shares for the Grantee's behalf) such documents and agreements, as may be requested by the Company relating to matters set forth in or otherwise for the purpose of implementing this Section 16.3. The execution of such separate agreement(s) may be a condition by the Company to the exercise of any Award and the Company (and, if applicable, the Trustee) may exercise its authorization above and sign such agreement on behalf of the Grantee or subject the Grantee to the provisions of such agreements.

16.4. Data Privacy; Data Transfer. Information related to Grantees and Awards hereunder, as shall be received from Grantee or others, and/or held by, the Company or its Affiliates from time to time, and which information may include sensitive and personal information related to Grantees ("Information"), will be used by the Company or its Affiliates (or third parties appointed by any of them, including the Trustee) to comply with any applicable legal requirement, or for administration of the Plan as they deems necessary or advisable, or for the respective business purposes of the Company or its Affiliates (including in connection with transactions related to any of them). The Company and its Affiliates shall be entitled to transfer the Information among the Company or its Affiliates, and to third parties for the purposes set forth above, which may include persons located abroad (including, any person administering the Plan or providing services in respect of the Plan or in order to comply with legal requirements, or the Trustee, their respective officers, directors, employees and representatives, and the respective successors and assigns of any of the foregoing), and any person so receiving Information shall be entitled to transfer it for the purposes set forth above. The Company shall use commercially reasonable efforts to ensure that the transfer of such Information shall be limited to the reasonable and necessary scope. By receiving an Award hereunder, Grantee acknowledges and agrees that the Information is provided at Grantee's free will and Grantee consents to the storage and transfer of the Information as set forth above.

17. RESERVED.

18. AGREEMENT REGARDING TAXES; DISCLAIMER.

18.1. If the Company shall so require, as a condition of exercise or (if applicable) vesting of an Award, the release of Shares by the Trustee or the vesting or settlement of an Award, a Grantee shall agree that, no later than the date of such occurrence, the Grantee will pay to the Company (or the Trustee, as applicable) or make arrangements satisfactory to the Company and the Trustee (if applicable) regarding payment of any applicable taxes and compulsory payments of any kind required by Applicable Law to be withheld or paid.

18.2. TAX LIABILITY. ALL TAX CONSEQUENCES UNDER ANY APPLICABLE LAW WHICH MAY ARISE FROM THE GRANT OF ANY AWARDS OR THE EXERCISE OR (IF APPLICABLE) VESTING THEREOF, THE SALE OR DISPOSITION OF ANY SHARES GRANTED HEREUNDER OR ISSUED UPON EXERCISE OR (IF APPLICABLE) THE VESTING OF ANY AWARD, THE ASSUMPTION, SUBSTITUTION, CANCELLATION OR PAYMENT IN LIEU OF AWARDS OR FROM ANY OTHER ACTION IN CONNECTION WITH THE FOREGOING (INCLUDING WITHOUT LIMITATION ANY TAXES AND COMPULSORY PAYMENTS, SUCH AS SOCIAL SECURITY OR HEALTH TAX PAYABLE BY THE GRANTEE OR THE COMPANY IN CONNECTION THEREWITH) SHALL BE BORNE AND PAID SOLELY BY THE GRANTEE, AND THE GRANTEE SHALL INDEMNIFY THE COMPANY, ITS SUBSIDIARIES AND AFFILIATES AND THE TRUSTEE, AND SHALL HOLD THEM HARMLESS AGAINST AND FROM ANY LIABILITY

FOR ANY SUCH TAX OR PAYMENT OR ANY PENALTY, INTEREST OR INDEXATION THEREON. EACH GRANTEE AGREES TO, AND UNDERTAKES TO COMPLY WITH, ANY RULING, SETTLEMENT, CLOSING AGREEMENT OR OTHER SIMILAR AGREEMENT OR ARRANGEMENT WITH ANY TAX AUTHORITY IN CONNECTION WITH THE FOREGOING WHICH IS APPROVED BY THE COMPANY.

18.3. NO TAX ADVICE. THE GRANTEE IS ADVISED TO CONSULT WITH A TAX ADVISOR WITH RESPECT TO THE TAX CONSEQUENCES OF RECEIVING, EXERCISING OR DISPOSING OF AWARDS HEREUNDER. THE COMPANY DOES NOT ASSUME ANY RESPONSIBILITY TO ADVISE THE GRANTEE ON SUCH MATTERS, WHICH SHALL REMAIN SOLELY THE RESPONSIBILITY OF THE GRANTEE.

18.4. TAX TREATMENT. THE COMPANY AND ITS AFFILIATES (INCLUDING THE EMPLOYER) DO NOT UNDERTAKE OR ASSUME ANY LIABILITY OR RESPONSIBILITY TO THE EFFECT THAT ANY AWARD SHALL QUALIFY WITH ANY PARTICULAR TAX REGIME OR RULES APPLYING TO PARTICULAR TAX TREATMENT, OR BENEFIT FROM ANY PARTICULAR TAX TREATMENT OR TAX ADVANTAGE OF ANY TYPE AND THE COMPANY AND ITS AFFILIATES (INCLUDING THE EMPLOYER) SHALL BEAR NO LIABILITY IN CONNECTION WITH THE MANNER IN WHICH ANY AWARD IS TREATED FOR TAX PURPOSES, REGARDLESS OF WHETHER THE AWARD WAS GRANTED OR WAS INTENDED TO QUALIFY UNDER ANY PARTICULAR TAX REGIME OR TREATMENT. THIS PROVISION SHALL SUPERSEDE ANY TYPE OF AWARDS OR TAX QUALIFICATION INDICATED IN ANY CORPORATE RESOLUTION OR AWARD AGREEMENT, WHICH SHALL AT ALL TIMES BE SUBJECT TO THE REQUIREMENTS OF APPLICABLE LAW. THE COMPANY AND ITS AFFILIATES (INCLUDING THE EMPLOYER) DO NOT UNDERTAKE AND SHALL NOT BE REQUIRED TO TAKE ANY ACTION IN ORDER TO QUALIFY ANY AWARD WITH THE REQUIREMENT OF ANY PARTICULAR TAX TREATMENT AND NO INDICATION IN ANY DOCUMENT TO THE EFFECT THAT ANY AWARD IS INTENDED TO QUALIFY FOR ANY TAX TREATMENT SHALL IMPLY SUCH AN UNDERTAKING. THE COMPANY AND ITS AFFILIATES (INCLUDING THE EMPLOYER) DO NOT UNDERTAKE TO REPORT FOR TAX PURPOSES ANY AWARD IN ANY PARTICULAR MANNER, INCLUDING IN ANY MANNER CONSISTENT WITH ANY PARTICULAR TAX TREATMENT. NO ASSURANCE IS MADE BY THE COMPANY OR ANY OF ITS AFFILIATES (INCLUDING THE EMPLOYER) THAT ANY PARTICULAR TAX TREATMENT ON THE DATE OF GRANT WILL CONTINUE TO EXIST OR THAT THE AWARD WOULD QUALIFY AT THE TIME OF EXERCISE, VESTING OR DISPOSITION THEREOF WITH ANY PARTICULAR TAX TREATMENT. THE COMPANY AND ITS AFFILIATES (INCLUDING THE EMPLOYER) SHALL NOT HAVE ANY LIABILITY OR OBLIGATION OF ANY NATURE IN THE EVENT THAT AN AWARD DOES NOT QUALIFY FOR ANY PARTICULAR TAX TREATMENT, REGARDLESS WHETHER THE COMPANY COULD HAVE OR SHOULD HAVE TAKEN ANY ACTION TO CAUSE SUCH QUALIFICATION TO BE MET AND SUCH QUALIFICATION REMAINS AT ALL TIMES AND UNDER ALL CIRCUMSTANCES AT THE RISK OF THE GRANTEE. THE COMPANY DOES NOT UNDERTAKE OR ASSUME ANY LIABILITY TO CONTEST A DETERMINATION OR INTERPRETATION (WHETHER WRITTEN OR UNWRITTEN) OF ANY TAX AUTHORITIES, INCLUDING IN RESPECT OF THE QUALIFICATION UNDER ANY PARTICULAR TAX REGIME OR RULES APPLYING TO PARTICULAR TAX TREATMENT. IF THE AWARDS DO NOT QUALIFY UNDER ANY PARTICULAR TAX TREATMENT IT COULD RESULT IN ADVERSE TAX CONSEQUENCES TO THE GRANTEE.

18.5. The Company or any Subsidiary or other Affiliate thereof (including the Employer) may take such action as it may deem necessary or appropriate, in its discretion, for the purpose of or in connection with withholding of any taxes and compulsory payments which the Trustee, the Company or any Subsidiary or other Affiliate thereof (including the Employer) (or any applicable agent thereof) is required by any Applicable Law to withhold in connection with any Awards, including, without limitations, any income tax, social benefits, social insurance, health tax, pension, payroll tax, fringe benefits, excise tax, payment on account or other tax-related items related to the Grantee's participation in the Plan and applicable by law to the Grantee (collectively, "Withholding Obligations"). Such actions may include (i) requiring a Grantees to remit to the Company or the Employer in cash an amount sufficient to satisfy such Withholding

Obligations and any other taxes and compulsory payments, payable by the Company or the Employer in connection with the Award or the exercise or (if applicable) the vesting thereof; (ii) subject to Applicable Law, allowing the Grantees to surrender Shares to the Company, in an amount that at such time, reflects a value that the Committee determines to be sufficient to satisfy such Withholding Obligations; (iii) withholding Shares otherwise issuable upon the exercise of an Award at a value which is determined by the Company to be sufficient to satisfy such Withholding Obligations; (iv) allowing Grantees to satisfy all or part of the Withholding Obligations by the delivery (on a form prescribed by the Company) of an irrevocable direction to a securities broker approved by the Company to sell Shares and to deliver all or part of the sales proceeds to the Company or the Trustee; or (iv) any combination of the foregoing. The Company shall not be obligated to allow the exercise or vesting of any Award by or on behalf of a Grantee until all tax consequences arising therefrom are resolved in a manner acceptable to the Company.

18.6. Each Grantee shall notify the Company in writing promptly and in any event within ten (10) days after the date on which such Grantee first obtains knowledge of any tax authority inquiry, audit, assertion, determination, investigation, or question relating in any manner to the Awards granted or received hereunder or Shares issued thereunder and shall continuously inform the Company of any developments, proceedings, discussions and negotiations relating to such matter, and shall allow the Company and its representatives to participate in any proceedings and discussions concerning such matters. Upon request, a Grantee shall provide to the Company any information or document relating to any matter described in the preceding sentence, which the Company, in its discretion, requires.

18.7. With respect to 102 Non-Trustee Options, if the Grantee ceases to be employed by the Company, Parent, Subsidiary or any Affiliate (including the Employer), the Grantee shall extend to the Company and/or the Employer a security or guarantee for the payment of taxes due at the time of sale of Shares, all in accordance with the provisions of Section 102 of the Ordinance and the Rules.

18.8. If a Grantee makes an election under Section 83(b) of the Code to be taxed with respect to an Award as of the date of transfer of Shares rather than as of the date or dates upon which the Grantee would otherwise be taxable under Section 83(a) of the Code, such Grantee shall deliver a copy of such election to the Company upon or prior to the filing such election with the U.S. Internal Revenue Service. Neither the Company nor any Affiliate (including the Employer) shall have any liability or responsibility relating to or arising out of the filing or not filing of any such election or any defects in its construction.

#### 19. RIGHTS AS A SHAREHOLDER; VOTING AND DIVIDENDS.

19.1. Subject to Section 11.4, a Grantee shall have no rights as a shareholder of the Company with respect to any Shares covered by an Award until the Grantee shall have exercised or (as applicable) vests in the Award, paid any Exercise Price therefor and becomes the record holder of the subject Shares. In the case of 102 Awards, the Trustee shall have no rights as a shareholder of the Company with respect to the Shares covered by such Award until the Trustee becomes the record holder for such Shares for the Grantee's benefit, and the Grantee shall not be deemed to be a shareholder and shall have no rights as a shareholder of the Company with respect to the Shares covered by the Award until the date of the release of such Shares from the Trustee to the Grantee and the transfer of record ownership of such Shares to the Grantee (provided, however, that the Grantee shall be entitled to receive from the Trustee any cash dividend or tax withholding and compulsory payment). No adjustment shall be made for dividends (ordinary or extraordinary, whether in shares or other securities, cash or other property, or rights, or any combination thereof) or distribution of other rights for which the record date is prior to the date on which the Grantee or Trustee (as applicable) becomes the record holder of the Shares covered by an Award, except as provided in Section 14 hereof.

19.2. With respect to all Awards issued in the form of Shares hereunder or upon the exercise or (if applicable) the vesting of Awards hereunder, any and all voting rights attached to such Shares shall be subject to Section 19.1, and the Grantee shall be entitled to receive dividends distributed with respect to such Shares, subject to the provisions of the Company's Articles of Association, as amended from time to time, and subject to any Applicable Law.

19.3. The Company may, but shall not be obligated to, register or qualify the sale of Shares under any applicable securities law or any other Applicable Law.

20. NO REPRESENTATION BY COMPANY.

By granting the Awards, the Company is not, and shall not be deemed as, making any representation or warranties to the Grantee regarding the Company, its business affairs, its prospects or the future value of its Shares and such representations and warranties are hereby disclaimed. The Company shall not be required to provide to any Grantee any information, documents or material in connection with the Grantee's considering an exercise of an Award. To the extent that any information, documents or materials are provided, the Company shall have no liability with respect thereto. Any decision by a Grantee to exercise an Award shall solely be at the risk of the Grantee.

21. NO RETENTION RIGHTS.

Nothing in this Plan, any Award Agreement or in any Award granted or agreement entered into pursuant hereto shall confer upon any Grantee the right to continue in the employ of, or be in the service of the Company or any Subsidiary or other Affiliate thereof as a Service Provider or to be entitled to any remuneration or benefits not set forth in this Plan or such agreement, or to interfere with or limit in any way the right of the Company or any such Subsidiary or other Affiliate thereof to terminate such Grantee's employment or service (including, any right of the Company or any of its Affiliates to immediately cease the Grantee's employment or service or to shorten all or part of the notice period, regardless of whether notice of termination was given by the Company or its Affiliates or by the Grantee). Awards granted under this Plan shall not be affected by any change in duties or position of a Grantee, subject to Sections 6.6 through 6.8. No Grantee shall be entitled to claim and the Grantee hereby waives any claim against the Company or any Subsidiary or other Affiliate thereof that he or she was prevented from continuing to vest Awards as of the date of termination of his or her employment with, or services to, the Company or any Subsidiary or other Affiliate thereof. No Grantee shall be entitled to any compensation in respect of the Awards which would have vested had such Grantee's employment or engagement with the Company (or any Subsidiary or other Affiliate thereof) not been terminated.

22. PERIOD DURING WHICH AWARDS MAY BE GRANTED.

Awards may be granted pursuant to this Plan from time to time within a period of ten (10) years from the Effective Date, which period may be extended from time to time by the Board. From and after such date (as extended) no grants of Awards may be made and this Plan shall continue to be in full force and effect with respect to Awards or Shares issued thereunder that remain outstanding.

23. AMENDMENT OF THIS PLAN AND AWARDS.

23.1. The Board at any time and from time to time may suspend, terminate, modify or amend this Plan, whether retroactively or prospectively. Any amendment effected in accordance with this Section shall be binding upon all Grantees and all Awards, whether granted prior to or after the date of such amendment, and without the need to obtain the consent of any Grantee. No termination or amendment of this Plan shall affect any then outstanding Award unless expressly provided by the Board.

23.2. Subject to changes in Applicable Law that would permit otherwise, without the approval of the Company's shareholders, there shall be (i) no increase in the maximum aggregate number of Shares that may be issued under this Plan as Incentive Stock Options (except by operation of the provisions of Section 14.1), (ii) no change in the class of persons eligible to receive Incentive Stock Options, and (iii) no other amendment of this Plan that would require approval of the Company's shareholders under any Applicable Law or the rules of the applicable stock market or exchange, if any, on which the Shares are principally quoted or traded. Unless not permitted by Applicable Law, if the grant of an Award is subject to approval by shareholders, the date of grant of the Award shall be determined as if the Award had not been subject to such approval. Failure to obtain approval by the shareholders shall not in any way derogate from the valid and binding effect of any grant of an Award that is not an Incentive Stock Option.

23.3. The Board or the Committee at any time and from time to time may modify or amend any Award theretofore granted, including any Award Agreement, whether retroactively or prospectively.

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## 24. APPROVAL

24.1. This Plan shall take effect upon its adoption by the Board and approval by the shareholders (the “Effective Date”).

24.2. 102 Awards are conditional upon the filing with or approval by the ITA, if required, as set forth in Section 9.4. Failure to so file or obtain such approval shall not in any way derogate from the valid and binding effect of any grant of an Award, which is not a 102 Award.

## 25. RULES PARTICULAR TO SPECIFIC COUNTRIES; SECTION 409A.

25.1. Notwithstanding anything herein to the contrary, the terms and conditions of this Plan may be supplemented or amended with respect to a particular country or tax regime by means of an appendix to this Plan, and to the extent that the terms and conditions set forth in any appendix conflict with any provisions of this Plan, the provisions of such appendix shall govern. Terms and conditions set forth in such appendix shall apply only to Awards granted to Grantees under the jurisdiction of the specific country or such other tax regime that is the subject of such appendix and shall not apply to Awards issued to a Grantee not under the jurisdiction of such country or such other tax regime. The adoption of any such appendix shall be subject to the approval of the Board or the Committee, and if determined by the Committee to be required in connection with the application of certain tax treatment, pursuant to applicable stock exchange rules or regulations or otherwise, then also the approval of the shareholders of the Company at the required majority.

25.2. This Section 25.2 shall only apply to Awards granted to Grantees who are subject to United States Federal income tax.

25.2.1 It is the intention of the Company that no Award shall be deferred compensation subject to Section 409A of the Code unless and to the extent that the Committee specifically determines otherwise as provided in Section 25.2.2, and the Plan and the terms and conditions of all Awards shall be interpreted and administered accordingly.

25.2.2 The terms and conditions governing any Awards that the Committee determines will be subject to Section 409A of the Code, including any rules for payment or elective or mandatory deferral of the payment or delivery of Shares or cash pursuant thereto, and any rules regarding treatment of such Awards in the event of a Merger/Sale, shall be set forth in the applicable Award Agreement and shall be intended to comply in all respects with Section 409A of the Code, and the Plan and the terms and conditions of such Awards shall be interpreted and administered accordingly.

25.2.3 The Company shall have complete discretion to interpret and construe the Plan and any Award Agreement in any manner that establishes an exemption from (or compliance with) the requirements of Section 409A of the Code. If for any reason, such as imprecision in drafting, any provision of the Plan and/or any Award Agreement does not accurately reflect its intended establishment of an exemption from (or compliance with) Section 409A of the Code, as demonstrated by consistent interpretations or other evidence of intent, such provision shall be considered ambiguous as to its exemption from (or compliance with) Section 409A of the Code and shall be interpreted by the Company in a manner consistent with such intent, as determined in the discretion of the Company. If, notwithstanding the foregoing provisions of this Section 25.2.3, any provision of the Plan or any such agreement would cause a Grantee to incur any additional tax or interest under Section 409A of the Code, the Company may reform such provision in a manner intended to avoid the incurrence by such Grantee of any such additional tax or interest; provided that the Company shall maintain, to the extent reasonably practicable, the original intent and economic benefit to the Grantee of the applicable provision without violating the provisions of Section 409A of the Code. For the avoidance of doubt, no provision of this Plan shall be interpreted or construed to transfer any liability for failure to comply with the requirements of Section 409A from any Grantee or any other individual to the Company or any of its affiliates, employees or agents.

25.2.4 Notwithstanding any other provision in the Plan, any Award Agreement, or any other written document establishing the terms and conditions of an Award, if any Grantee is a “specified employee,” within the meaning of Section 409A of the Code, as of the date of his or her “separation from service” (as defined under Section 409A of the Code), then, to the extent required by Treasury Regulation Section 1.409A-3(i)(2) (or any successor provision), any payment made to such Grantee on account of his or her separation from service shall not be made before a date that is six months after the date of his or her separation from service. The Committee may elect any of the methods of applying this rule that are permitted under Treasury Regulation Section 1.409A-3(i)(2)(ii) (or any successor provision).

25.2.5 Notwithstanding any other provision of this Section 25.2 to the contrary, although the Company intends to administer the Plan so that Awards will be exempt from, or will comply with, the requirements of Section 409A of the Code, the Company does not warrant that any Award under the Plan will qualify for favorable tax treatment under Section 409A of the Code or any other provision of federal, state, local, or non-United States law. The Company shall not be liable to any Grantee for any tax, interest, or penalties the Grantee might owe as a result of the grant, holding, vesting, exercise, or payment of any Award under the Plan.

## 26. GOVERNING LAW; JURISDICTION.

This Plan and all determinations made and actions taken pursuant hereto shall be governed by the laws of the State of Israel, except with respect to matters that are subject to tax laws, regulations and rules of any specific jurisdiction, which shall be governed by the respective laws, regulations and rules of such jurisdiction. Certain definitions, which refer to laws other than the laws of such jurisdiction, shall be construed in accordance with such other laws. The competent courts located in Tel-Aviv-Jaffa, Israel shall have exclusive jurisdiction over any dispute arising out of or in connection with this Plan and any Award granted hereunder. By signing any Award Agreement or any other agreement relating to an Award, each Grantee irrevocably submits to such exclusive jurisdiction.

## 27. NON-EXCLUSIVITY OF THIS PLAN.

The adoption of this Plan shall not be construed as creating any limitations on the power or authority of the Company to adopt such other or additional incentive or other compensation arrangements of whatever nature as the Company may deem necessary or desirable or preclude or limit the continuation of any other plan, practice or arrangement for the payment of compensation or fringe benefits to employees generally, or to any class or group of employees, which the Company or any Affiliate now has or will lawfully put into effect, including any retirement, pension, savings and stock purchase plan, insurance, death and disability benefits and executive short-term or long-term incentive plans.

## 28. MISCELLANEOUS.

28.1. Survival. The Grantee shall be bound by and the Shares issued upon exercise or (if applicable) the vesting of any Awards granted hereunder shall remain subject to this Plan after the exercise or (if applicable) the vesting of Awards, in accordance with the terms of this Plan, whether or not the Grantee is then or at any time thereafter employed or engaged by the Company or any of its Affiliates.

28.2. Additional Terms. Each Award awarded under this Plan may contain such other terms and conditions not inconsistent with this Plan as may be determined by the Committee, in its sole discretion.

28.3. Fractional Shares. No fractional Share shall be issuable upon exercise or vesting of any Award and the number of Shares to be issued shall be rounded down to the nearest whole Share (and the Company shall have liability to compensate for such fractional shares at any time), with in any Share remaining at the last vesting date due to such rounding to be issued upon exercise at such last vesting date.

28.4. Severability. If any provision of this Plan, any Award Agreement or any other agreement entered into in connection with an Award shall be determined to be illegal or unenforceable by any court of law in any jurisdiction, the remaining provisions hereof and thereof shall be severable and enforceable in accordance with their terms, and all provisions shall remain enforceable in any other jurisdiction. In

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addition, if any particular provision contained in this Plan, any Award Agreement or any other agreement entered into in connection with an Award shall for any reason be held to be excessively broad as to duration, geographic scope, activity or subject, it shall be construed by limiting and reducing such provision as to such characteristic so that the provision is enforceable to fullest extent compatible with Applicable Law as it shall then appear.

28.5. Captions and Titles. The use of captions and titles in this Plan or any Award Agreement or any other agreement entered into in connection with an Award is for the convenience of reference only and shall not affect the meaning or interpretation of any provision of this Plan or such agreement.

28.6. Prohibition on Executive Officer Loans. Notwithstanding any other provision of the Plan to the contrary, no Grantee who is a member of the Board or an “executive officer” of the Company within the meaning of Section 13(k) of the Exchange Act shall be permitted to make payment with respect to any Awards granted under the Plan, or continue any extension of credit with respect to such payment, with a loan from the Company or a loan arranged by the Company in violation of Section 13(k) of the Exchange Act.

28.7. Clawback Provisions. All Awards (including the gross amount of any proceeds, gains or other economic benefit the Grantee actually or constructively receives upon receipt or exercise of any Award or the receipt or resale of any Shares underlying the Award) will be subject to recoupment by the Company to the extent required to comply with Applicable Law or any policy of the Company (subject to Applicable Law) providing for the reimbursement of incentive compensation, whether or not such policy was in place at the time of grant of an Award.

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**VALENS SEMICONDUCTOR LTD.  
2021 EMPLOYEE SHARE PURCHASE PLAN**

**ARTICLE I.  
PURPOSE**

The purpose of this Plan is to assist Eligible Employees of the Company and its Designated Subsidiaries in acquiring a share ownership interest in the Company.

The Plan consists of two components: (i) the Section 423 Component and (ii) the Non-Section 423 Component. The Section 423 Component is intended to qualify as an “employee stock purchase plan” under Section 423 of the Code and shall be administered, interpreted and construed in a manner consistent with the requirements of Section 423 of the Code. The Non-Section 423 Component authorizes the grant of rights which need not qualify as rights granted pursuant to an “employee stock purchase plan” under Section 423 of the Code. Rights granted under the Non-Section 423 Component shall be granted pursuant to separate Offerings containing such sub-plans, appendices, rules or procedures as may be adopted by the Administrator and designed to achieve tax, securities laws or other objectives for Eligible Employees and Designated Subsidiaries but shall not be intended to qualify as an “employee stock purchase plan” under Section 423 of the Code. Except as otherwise determined by the Administrator or provided herein, the Non-Section 423 Component will operate and be administered in the same manner as the Section 423 Component. Offerings intended to be made under the Non-Section 423 Component will be designated as such by the Administrator at or prior to the time of such Offering.

For purposes of this Plan, the Administrator may designate separate Offerings under the Plan in which Eligible Employees will participate. The terms of these Offerings need not be identical, even if the dates of the applicable Offering Period(s) in each such Offering are identical, provided that the terms of participation are the same within each separate Offering under the Section 423 Component (as determined under Section 423 of the Code). Solely by way of example and without limiting the foregoing, the Company could, but shall not be required to, provide for simultaneous Offerings under the Section 423 Component and the Non-Section 423 Component of the Plan.

**ARTICLE II.  
DEFINITIONS AND CONSTRUCTION**

Wherever the following terms are used in the Plan they shall have the meanings specified below, unless the context clearly indicates otherwise.

2.1 “*Administrator*” means the entity, including any committee specifically designated by the Board, that conducts the general administration of the Plan as provided in Article XI.

2.2 “*Affiliate*” means any entity on which the Company has an equity or other ownership interests.

2.3 “*Agent*” means the brokerage firm, bank or other financial institution, entity or person(s), if any, engaged, retained, appointed or authorized to act as the agent of the Company or an Employee with regard to the Plan.

2.4 “*Applicable Law*” means the requirements relating to the administration of equity incentive plans under U.S. federal and state securities, tax and other applicable laws, rules and regulations, the applicable rules of any stock exchange or quotation system on which Shares are listed or quoted and the applicable laws and rules of any non-U.S. country or other jurisdiction where rights under this Plan are granted.

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2.5 “**Board**” means the Board of Directors of the Company.

2.6 “**Code**” means the U.S. Internal Revenue Code of 1986, as amended, and the regulations issued thereunder.

2.7 “**Company**” means Valens Semiconductor Ltd., an Israeli company, or any successor.

2.8 “**Compensation**” of an Eligible Employee means, unless otherwise determined by the Administrator, the gross base compensation received by such Eligible Employee as compensation for services to the Company or any Designated Subsidiary, including overtime payments and excluding sales commissions, incentive compensation, bonuses, expense reimbursements, fringe benefits and other special payments.

2.9 “**Designated Subsidiary**” means any Subsidiary designated by the Administrator in accordance with Section 11.2(b), such designation to specify whether such participation is in the Section 423 Component or Non-Section 423 Component. A Designated Subsidiary may participate in either the Section 423 Component or Non-Section 423 Component, but not both; provided that a Subsidiary that, for U.S. tax purposes, is disregarded from the Company or any Subsidiary that participates in the Section 423 Component shall automatically constitute a Designated Subsidiary that participates in the Section 423 Component. The designation by the Administrator of Designated Subsidiaries and changes in such designations by the Administrator shall not require shareholder approval. Only entities that are subsidiary corporations of the Company within the meaning of Section 424 of the Code may be designated as Designated Subsidiaries for purposes of the Section 423 Component, and if an entity does not so qualify, it shall automatically be deemed to be a Designated Subsidiary in the Non-Section 423 Component.

2.10 “**Effective Date**” means the date upon which the Plan is approved by the shareholders of the Company, provided that the Board has adopted the Plan on, or within 12 months prior to, such date.

2.11 “**Eligible Employee**” means:

(a) With respect to the Section 423 Component of the Plan, an Employee who does not, immediately after any rights under this Plan are granted, own (directly or through attribution) share possessing 5% or more of the total combined voting power or value of all classes of Shares and other securities of the Company, a Parent or a Subsidiary (as determined under Section 423(b)(3) of the Code). For purposes of the foregoing, the rules of Section 424(d) of the Code with regard to the attribution of share ownership shall apply in determining the share ownership of an individual, and a share that an Employee may purchase under outstanding options shall be treated as a share owned by the Employee. With respect to an Employee participating in the Non-Section 423 Component, such qualification shall not apply, unless otherwise required by Applicable Law.

(b) Notwithstanding the foregoing, the Administrator may provide in an Offering Document that an Employee shall not be eligible to participate in an Offering Period under the Section 423 Component if: (i) such Employee is a highly compensated employee within the meaning of Section 423(b)(4)(D) of the Code; (ii) such Employee has not met a service requirement designated by the Administrator pursuant to Section 423(b)(4)(A) of the Code (which service requirement may not exceed two years); (iii) such Employee’s customary employment is for twenty hours per week or less; (iv) such Employee’s customary employment is for less than five months in any calendar year; and/or (v) such Employee is a citizen or resident of a non-U.S. jurisdiction and the grant of a right to purchase Shares under

the Plan to such Employee would be prohibited under the laws of such non-U.S. jurisdiction or the grant of a right to purchase Shares under the Plan to such Employee in compliance with the laws of such non-U.S. jurisdiction would cause the Plan to violate the requirements of Section 423 of the Code, as determined by the Administrator in its sole discretion; provided, further, that any exclusion in clauses (i), (ii), (iii), (iv) or (v) shall be applied in an identical manner under each Offering Period to all Employees, in accordance with Treasury Regulation Section 1.423-2(e).

(c) With respect to the Non-Section 423 Component, the foregoing rules shall apply in determining who is an “Eligible Employee,” except (i) the Administrator may limit eligibility further within the Company or a Designated Subsidiary so as to only designate some Employees of the Company or a Designated Subsidiary as Eligible Employees, and (ii) to the extent the foregoing eligibility rules are not consistent with applicable local laws, the applicable local laws shall control.

2.12 “**Employee**” means any individual who renders services to the Company or any Designated Subsidiary in the status of an employee, and, with respect to the Section 423 Component, a person who is an employee within the meaning of Section 3401(c) of the Code. For purposes of an individual’s participation in, or other rights under the Plan, all determinations by the Company shall be final, binding and conclusive, notwithstanding that any court of law or governmental agency subsequently makes a contrary determination. For purposes of the Plan, the employment relationship shall be treated as continuing intact while the individual is on sick leave or other leave of absence approved by the Company or Designated Subsidiary and meeting the requirements of Treasury Regulation Section 1.421-1(h)(2). Where the period of leave exceeds three (3) months and the individual’s right to reemployment is not guaranteed either by statute or by contract, the employment relationship shall be deemed to have terminated on the first day immediately following such three (3)-month period.

2.13 “**Enrollment Date**” means the first Trading Day of each Offering Period.

2.14 “**Fair Market Value**” means, as of any date, the value of Shares determined as follows: (i) if the Shares are listed on any established stock exchange, its Fair Market Value will be the closing sales price for such Shares as quoted on such exchange for such date, or if no sale occurred on such date, the last day preceding such date during which a sale occurred, as reported in The Wall Street Journal or another source the Administrator deems reliable; (ii) if the Shares are not traded on a stock exchange but are quoted on a national market or other quotation system, the closing sales price on such date, or if no sales occurred on such date, then on the last date preceding such date during which a sale occurred, as reported in The Wall Street Journal or another source the Administrator deems reliable; or (iii) without an established market for the Shares, the Administrator will determine the Fair Market Value in its discretion.

2.15 “**Non-Section 423 Component**” means those Offerings under the Plan, together with the sub-plans, appendices, rules or procedures, if any, adopted by the Administrator as a part of this Plan, in each case, pursuant to which rights to purchase Shares during an Offering Period may be granted to Eligible Employees that need not satisfy the requirements for rights to purchase Shares granted pursuant to an “employee stock purchase plan” that are set forth under Section 423 of the Code.

2.16 “**Offering**” means an offer under the Plan of a right to purchase Shares that may be exercised during an Offering Period as further described in Article IV hereof. Unless otherwise specified by the Administrator, each Offering to the Eligible Employees of the Company or a Designated Subsidiary shall be deemed a separate Offering, even if the dates and other terms of the applicable Offering Periods of each such Offering are identical, and the provisions of the Plan will separately apply to each Offering. To the extent permitted by Treas. Reg. § 1.423-2(a)(1), the terms of each separate Offering under the Section 423 Component need not be identical, provided that the terms of the Section 423 Component and an Offering thereunder together satisfy Treas. Reg. § 1.423-2(a)(2) and (a)(3).

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2.17 “**Offering Document**” has the meaning given to such term in Section 4.1.

2.18 “**Offering Period**” has the meaning given to such term in Section 4.1.

2.19 “**Ordinary Shares**” means Ordinary Shares, no par value, of the Company and such other securities of the Company that may be substituted therefore.

2.20 “**Parent**” means any corporation, other than the Company, in an unbroken chain of corporations ending with the Company if, at the time of the determination, each of the corporations other than the Company owns shares possessing 50% or more of the total combined voting power of all classes of shares in one of the other corporations in such chain.

2.21 “**Participant**” means any Eligible Employee who has executed a subscription agreement and been granted rights to purchase Shares pursuant to this Plan.

2.22 “**Payday**” means the regular and recurring established day for payment of Compensation to an Employee of the Company or any Designated Subsidiary.

2.23 “**Plan**” means this 2020 Employee Share Purchase Plan, including both the Section 423 Component and Non-Section 423 Component and any other sub-plans or appendices hereto, as amended from time to time.

2.24 “**Purchase Date**” means the last Trading Day of each Offering Period or such other date as determined by the Administrator and set forth in the Offering Document.

2.25 “**Purchase Price**” means the purchase price designated by the Administrator in the applicable Offering Document (which purchase price, for purposes of the Section 423 Component, shall not be less than 85% of the Fair Market Value of a Share on the Enrollment Date or on the Purchase Date, whichever is lower); provided, however, that, in the event no purchase price is designated by the Administrator in the applicable Offering Document, the purchase price for the Offering Periods covered by such Offering Document shall be 85% of the Fair Market Value of a Share on the Enrollment Date or on the Purchase Date, whichever is lower; provided, further, that the Purchase Price may be adjusted by the Administrator pursuant to Article VIII and shall not be less than the par value of a Share.

2.26 “**Section 423 Component**” means those Offerings under the Plan, together with the sub-plans, appendices, rules or procedures, if any, adopted by the Administrator as a part of this Plan, in each case, pursuant to which rights to purchase Shares during an Offering Period may be granted to Eligible Employees that are intended to satisfy the requirements for rights to purchase Shares granted pursuant to an “employee stock purchase plan” that are set forth under Section 423 of the Code.

2.27 “**Securities Act**” means the U.S. Securities Act of 1933, as amended.

2.28 “**Share**” means an Ordinary Share.

2.29 “**Subsidiary**” means any corporation, other than the Company, in an unbroken chain of corporations beginning with the Company if, at the time of the determination, each of the corporations other than the last corporation in an unbroken chain owns shares possessing 50% or more of the total combined voting power of all classes of shares in one of the other corporations in such chain; provided, however, that a limited liability company or partnership may be treated as a Subsidiary to the extent either (a) such entity is treated as a disregarded entity under Treasury Regulation Section 301.7701-3(a) by reason of the Company or any other Subsidiary that is a corporation being the sole owner of such entity, or (b) such entity

elects to be classified as a corporation under Treasury Regulation Section 301.7701-3(a) and such entity would otherwise qualify as a Subsidiary. In addition, with respect to the Non-Section 423 Component, Subsidiary shall include any corporate or non-corporate entity in which the Company has a direct or indirect equity interest or significant business relationship.

2.30 “*Trading Day*” means a day on which national stock exchanges in the United States are open for trading.

2.31 “*Treas. Reg.*” means U.S. Department of the Treasury regulations.

### ARTICLE III. SHARES SUBJECT TO THE PLAN

3.1 Number of Shares. Subject to Article VIII, the aggregate number of Shares that may be issued pursuant to rights granted under the Plan shall be one million and four hundred thousand (1,400,000) Shares. In addition to the foregoing, subject to Article VIII, on the first day of each calendar year beginning on January 1, 2022 and ending on and including January 1, 2030, the number of Shares available for issuance under the Plan shall be increased by that number of Shares equal to the lesser of (a) one percent (1%) of the Shares outstanding on the last day of the immediately preceding calendar year, as determined on a fully diluted basis, and (b) such smaller number of Shares as may be determined by the Board. If any right granted under the Plan shall for any reason terminate without having been exercised, the Shares not purchased under such right shall again become available for issuance under the Plan. Notwithstanding anything in this Section 3.1 to the contrary, the number of Shares that may be issued or transferred pursuant to the rights granted under the Section 423 Component of the Plan shall not exceed an aggregate of fourteen million (14,000,000) Shares, subject to Article VIII.

3.2 Shares Distributed. Any Shares distributed pursuant to the Plan may consist, in whole or in part, of authorized and unissued Shares, treasury shares or Shares purchased on the open market.

### ARTICLE IV. OFFERING PERIODS; OFFERING DOCUMENTS; PURCHASE DATES

4.1 Offering Periods. The Administrator may from time to time grant or provide for the grant of rights to purchase Shares under the Plan to Eligible Employees during one or more periods (each, an “*Offering Period*”) selected by the Administrator. The terms and conditions applicable to each Offering Period shall be set forth in an “*Offering Document*” adopted by the Administrator, which Offering Document shall be in such form and shall contain such terms and conditions as the Administrator shall deem appropriate and shall be incorporated by reference into and made part of the Plan and shall be attached hereto as part of the Plan. The provisions of separate Offerings or Offering Periods under the Plan need not be identical.

4.2 Offering Documents. Each Offering Document with respect to an Offering Period shall specify (through incorporation of the provisions of this Plan by reference or otherwise):

(a) the length of the Offering Period, which period shall not exceed twenty-seven months;

(b) the maximum number of Shares that may be purchased by any Eligible Employee during such Offering Period, which, in the absence of a contrary designation by the Administrator, shall be 1,500 Shares or, if lesser and with respect to the Section 423 Component only, the number of Shares equal to \$25,000 divided by the Fair Market Value of a Share on the Enrollment Date, which price shall be adjusted if the price per Share is adjusted pursuant to Article VIII.

(c) such other provisions as the Administrator determines are appropriate, subject to the Plan.

**ARTICLE V.  
ELIGIBILITY AND PARTICIPATION**

5.1 Eligibility. Any Eligible Employee who shall be employed by the Company or a Designated Subsidiary on a given Enrollment Date for an Offering Period shall be eligible to participate in the Plan during such Offering Period, subject to the requirements of this Article V and, for the Section 423 Component, the limitations imposed by Section 423(b) of the Code.

5.2 Enrollment in Plan.

(a) Except as otherwise set forth in an Offering Document or determined by the Administrator, an Eligible Employee may become a Participant in the Plan for an Offering Period by delivering a subscription agreement to the Company by such time prior to the Enrollment Date for such Offering Period (or such other date specified in the Offering Document) designated by the Administrator and in such form as the Company provides.

(b) Each subscription agreement shall designate a whole percentage of such Eligible Employee's Compensation to be withheld by the Company or the Designated Subsidiary employing such Eligible Employee on each Payday during the Offering Period as payroll deductions under the Plan. The percentage of Compensation designated by an Eligible Employee may not be less than one percent (1%) and may not be more than the maximum percentage specified by the Administrator in the applicable Offering Document (which percentage shall be twenty percent (20%) in the absence of any such designation) as payroll deductions. The payroll deductions made for each Participant shall be credited to an account for such Participant under the Plan and shall be deposited with the general funds of the Company.

(c) A Participant may increase or decrease the percentage of Compensation designated in his or her subscription agreement, subject to the limits of this Section 5.2, or may suspend his or her payroll deductions, at any time during an Offering Period; provided, however, that the Administrator may limit the number of changes a Participant may make to his or her payroll deduction elections during each Offering Period in the applicable Offering Document (and in the absence of any specific designation by the Administrator, a Participant shall be allowed to decrease (but not increase) his or her payroll deduction elections one time during each Offering Period). Any such change or suspension of payroll deductions shall be effective with the first full payroll period following five business days after the Company's receipt of the new subscription agreement (or such shorter or longer period as may be specified by the Administrator in the applicable Offering Document). In the event a Participant suspends his or her payroll deductions, such Participant's cumulative payroll deductions prior to the suspension shall remain in his or her account and shall be applied to the purchase of Shares on the next occurring Purchase Date and shall not be paid to such Participant unless he or she withdraws from participation in the Plan pursuant to Article VII.

(d) Except as otherwise set forth in an Offering Document or determined by the Administrator, a Participant may participate in the Plan only by means of payroll deduction and may not make contributions by lump sum payment for any Offering Period.

5.3 Payroll Deductions. Except as otherwise provided in the applicable Offering Document, payroll deductions for a Participant shall commence on the first Payday following the Enrollment Date and shall end on the last Payday in the Offering Period to which the Participant's authorization is applicable, unless sooner terminated by the Participant as provided in Article VII or suspended by the Participant or the Administrator as provided in Section 5.2 and Section 5.6, respectively. Notwithstanding any other provisions of the Plan to the contrary, in non-U.S. jurisdictions where participation in the Plan through payroll deductions is prohibited, the Administrator may provide that an Eligible Employee may elect to participate through contributions to the Participant's account under the Plan in a form acceptable to the Administrator in lieu of or in addition to payroll deductions; provided, however, that, for any Offering under the Section 423 Component, the Administrator shall take into consideration any limitations under Section 423 of the Code when applying an alternative method of contribution.

5.4 Effect of Enrollment. A Participant's completion of a subscription agreement will enroll such Participant in the Plan for each subsequent Offering Period on the terms contained therein until the Participant either submits a new subscription agreement, withdraws from participation under the Plan as provided in Article VII or otherwise becomes ineligible to participate in the Plan.

5.5 Limitation on Purchase of Shares. An Eligible Employee may be granted rights under the Section 423 Component only if such rights, together with any other rights granted to such Eligible Employee under "employee stock purchase plans" of the Company, any Parent or any Subsidiary, as specified by Section 423(b)(8) of the Code, do not permit such employee's rights to purchase shares of the Company or any Parent or Subsidiary to accrue at a rate that exceeds \$25,000 of the fair market value of such shares (determined as of the first day of the Offering Period during which such rights are granted) for each calendar year in which such rights are outstanding at any time. This limitation shall be applied in accordance with Section 423(b)(8) of the Code.

5.6 Suspension of Payroll Deductions. Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and Section 5.5 (with respect to the Section 423 Component) or the other limitations set forth in this Plan, a Participant's payroll deductions may be suspended by the Administrator at any time during an Offering Period. The balance of the amount credited to the account of each Participant that has not been applied to the purchase of Shares by reason of Section 423(b)(8) of the Code, Section 5.5 or the other limitations set forth in this Plan shall be paid to such Participant in one lump sum in cash as soon as reasonably practicable after the Purchase Date.

5.7 Non-U.S. Employees. In order to facilitate participation in the Plan, the Administrator may provide for such special terms applicable to Participants who are citizens or residents of a non-U.S. jurisdiction, or who are employed by a Designated Subsidiary outside of the United States, as the Administrator may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Except as permitted by Section 423 of the Code, with respect to the Section 423 Component, such special terms may not be more favorable than the terms of rights granted under the Section 423 Component to Eligible Employees who are residents of the United States. Such special terms may be set forth in an addendum to the Plan in the form of an appendix or sub-plan (which appendix or sub-plan may be designed to govern Offerings under the Section 423 Component or the Non-Section 423 Component, as determined by the Administrator). To the extent that the terms and conditions set forth in an appendix or sub-plan conflict with any provisions of the Plan, the provisions of the appendix or sub-plan shall govern. The adoption of any such appendix or sub-plan shall be pursuant to Section 11.2(f). Without limiting the foregoing, the Administrator is specifically authorized to adopt rules and procedures, with respect to

Participants who are non-U.S. nationals or employed in non-U.S. jurisdictions, regarding the exclusion of particular Subsidiaries from participation in the Plan, eligibility to participate, the definition of Compensation, handling of payroll deductions or other contributions by Participants, payment of interest, conversion of local currency, data privacy security, payroll tax, withholding procedures, establishment of bank or trust accounts to hold payroll deductions or contributions.

5.8 Leave of Absence. During leaves of absence approved by the Company meeting the requirements of Treasury Regulation Section 1.421-1(h)(2) under the Code, a Participant may continue participation in the Plan by making cash payments to the Company on his or her normal Payday equal to the Participant's authorized payroll deduction.

## **ARTICLE VI. GRANT AND EXERCISE OF RIGHTS**

6.1 Grant of Rights. On the Enrollment Date of each Offering Period, each Eligible Employee participating in such Offering Period shall be granted a right to purchase the maximum number of Shares specified under Section 4.2, subject to the limits in Section 5.5, and shall have the right to buy, on each Purchase Date during such Offering Period (at the applicable Purchase Price), such number of whole Shares as is determined by dividing (a) such Participant's payroll deductions accumulated prior to such Purchase Date and retained in the Participant's account as of the Purchase Date, by (b) the applicable Purchase Price (rounded down to the nearest Share). The right shall expire on the last day of the Offering Period.

6.2 Exercise of Rights. On each Purchase Date, each Participant's accumulated payroll deductions and any other additional payments specifically provided for in the applicable Offering Document will be applied to the purchase of whole Shares, up to the maximum number of Shares permitted pursuant to the terms of the Plan and the applicable Offering Document, at the Purchase Price. No fractional Shares shall be issued upon the exercise of rights granted under the Plan, unless the Offering Document specifically provides otherwise. Any cash in lieu of fractional Shares remaining after the purchase of whole Shares upon exercise of a purchase right will be credited to a Participant's account and carried forward and applied toward the purchase of whole Shares for the next following Offering Period. Shares issued pursuant to the Plan may be evidenced in such manner as the Administrator may determine and may be issued in certificated form or issued pursuant to book-entry procedures.

6.3 Pro Rata Allocation of Shares. If the Administrator determines that, on a given Purchase Date, the number of Shares with respect to which rights are to be exercised may exceed (a) the number of Shares that were available for issuance under the Plan on the Enrollment Date of the applicable Offering Period, or (b) the number of Shares available for issuance under the Plan on such Purchase Date, the Administrator may in its sole discretion provide that the Company shall make a pro rata allocation of the Shares available for purchase on such Enrollment Date or Purchase Date, as applicable, in as uniform a manner as shall be practicable and as it shall determine in its sole discretion to be equitable among all Participants for whom rights to purchase Shares are to be exercised pursuant to this Article VI on such Purchase Date, and shall either (i) continue all Offering Periods then in effect, or (ii) terminate any or all Offering Periods then in effect pursuant to Article IX. The Company may make pro rata allocation of the Shares available on the Enrollment Date of any applicable Offering Period pursuant to the preceding sentence, notwithstanding any authorization of additional Shares for issuance under the Plan by the Company's shareholders subsequent to such Enrollment Date. The balance of the amount credited to the account of each Participant that has not been applied to the purchase of Shares shall be paid to such Participant in one lump sum in cash as soon as reasonably practicable after the Purchase Date or such earlier date as determined by the Administrator.



6.4 Withholding. At the time a Participant's rights under the Plan are exercised, in whole or in part, or at the time some or all of the Shares issued under the Plan is disposed of, the Participant must make adequate provision for the Company's federal, state, or other tax withholding obligations, if any, that arise upon the exercise of the right or the disposition of the Shares. At any time, the Company may, but shall not be obligated to, withhold from the Participant's compensation or Shares received pursuant to the Plan the amount necessary for the Company to meet applicable withholding obligations, including any withholding required to make available to the Company any tax deductions or benefits attributable to sale or early disposition of Shares by the Participant.

6.5 Conditions to Issuance of 6.6 Shares. The Company shall not be required to issue or deliver any certificate or certificates for, or make any book entries evidencing, Shares purchased upon the exercise of rights under the Plan prior to fulfillment of all of the following conditions: (a) the admission of such Shares to listing on all stock exchanges, if any, on which the Shares are then listed; (b) the completion of any registration or other qualification of such Shares under any state or federal law or under the rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body, that the Administrator shall, in its absolute discretion, deem necessary or advisable; (c) the obtaining of any approval or other clearance from any state or federal governmental agency that the Administrator shall, in its absolute discretion, determine to be necessary or advisable; (d) the payment to the Company of all amounts that it is required to withhold under federal, state or local law upon exercise of the rights, if any; and (e) the lapse of such reasonable period of time following the exercise of the rights as the Administrator may from time to time establish for reasons of administrative convenience.

## **ARTICLE VII. WITHDRAWAL; CESSATION OF ELIGIBILITY**

7.1 Withdrawal. A Participant may withdraw all but not less than all of the payroll deductions credited to his or her account and not yet used to exercise his or her rights under the Plan at any time by giving written notice to the Company in a form acceptable to the Company no later than one week prior to the end of the Offering Period. All of the Participant's payroll deductions credited to his or her account during an Offering Period shall be paid to such Participant as soon as reasonably practicable after receipt of notice of withdrawal and such Participant's rights for the Offering Period shall be automatically terminated, and no further payroll deductions for the purchase of Shares shall be made for such Offering Period. If a Participant withdraws from an Offering Period, payroll deductions shall not resume at the beginning of the next Offering Period unless the Participant timely delivers to the Company a new subscription agreement.

7.2 Future Participation. A Participant's withdrawal from an Offering Period shall not have any effect upon his or her eligibility to participate in any similar plan that may hereafter be adopted by the Company or a Designated Subsidiary or in subsequent Offering Periods that commence after the termination of the Offering Period from which the Participant withdraws.

7.3 Cessation of Eligibility. Upon a Participant's ceasing to be an Eligible Employee for any reason, he or she shall be deemed to have elected to withdraw from the Plan pursuant to this Article VII and the payroll deductions credited to such Participant's account during the Offering Period shall be paid to such Participant or, in the case of his or her death, to the person or persons entitled thereto under Section 12.4, as soon as reasonably practicable, and such Participant's rights for the Offering Period shall be automatically terminated. If a Participant transfers employment from the Company or any Designated Subsidiary participating in the Section 423 Component to any Designated Subsidiary participating in the Non-Section 423 Component, such transfer shall not be treated as a termination of employment, but the Participant shall immediately cease to participate in the Section 423 Component; however, any contributions made for the Offering Period in which such transfer occurs shall be transferred to the Non-

Section 423 Component, and such Participant shall immediately join the then-current Offering under the Non-Section 423 Component upon the same terms and conditions in effect for the Participant's participation in the Section 423 Component, except for such modifications otherwise applicable for Participants in such Offering. A Participant who transfers employment from any Designated Subsidiary participating in the Non-Section 423 Component to the Company or any Designated Subsidiary participating in the Section 423 Component shall not be treated as terminating the Participant's employment and shall remain a Participant in the Non-Section 423 Component until the earlier of (i) the end of the current Offering Period under the Non-Section 423 Component or (ii) the Enrolment Date of the first Offering Period in which the Participant is eligible to participate following such transfer. Notwithstanding the foregoing, the Administrator may establish different rules to govern transfers of employment between entities participating in the Section 423 Component and the Non-Section 423 Component, consistent with the applicable requirements of Section 423 of the Code.

## **ARTICLE VIII. ADJUSTMENTS UPON CHANGES IN SHARES**

8.1 Changes in Capitalization. Subject to Section 8.3, in the event that the Administrator determines that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), change in control, reorganization, merger, amalgamation, consolidation, combination, repurchase, redemption, recapitalization, liquidation, dissolution, or sale, transfer, exchange or other disposition of all or substantially all of the assets of the Company, or sale or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event, as determined by the Administrator, affects the Shares such that an adjustment is determined by the Administrator to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended by the Company to be made available under the Plan or with respect to any outstanding purchase rights under the Plan, the Administrator shall make equitable adjustments, if any, to reflect such change with respect to (a) the aggregate number and type of Shares (or other securities or property) that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Section 3.1 and the limitations established in each Offering Document pursuant to Section 4.2 on the maximum number of Shares that may be purchased); (b) the class(es) and number of Shares and price per Share subject to outstanding rights; and (c) the Purchase Price with respect to any outstanding rights.

8.2 Other Adjustments. Subject to Section 8.3, in the event of any transaction or event described in Section 8.1 or any unusual or nonrecurring transactions or events affecting the Company, any Affiliate of the Company, or the financial statements of the Company or any Affiliate, or of changes in Applicable Law or accounting principles, the Administrator, in its discretion, and on such terms and conditions as it deems appropriate, is hereby authorized to take any one or more of the following actions whenever the Administrator determines that such action is appropriate in order to prevent the dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to any right under the Plan, to facilitate such transactions or events or to give effect to such changes in laws, regulations or principles:

(a) To provide for either (i) termination of any outstanding right in exchange for an amount of cash, if any, equal to the amount that would have been obtained upon the exercise of such right had such right been currently exercisable or (ii) the replacement of such outstanding right with other rights or property selected by the Administrator in its sole discretion;

(b) To provide that the outstanding rights under the Plan shall be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar rights covering the shares of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices;

(c) To make adjustments in the number and type of Shares (or other securities or property) subject to outstanding rights under the Plan and/or in the terms and conditions of outstanding rights and rights that may be granted in the future;

(d) To provide that Participants' accumulated payroll deductions may be used to purchase Shares prior to the next occurring Purchase Date on such date as the Administrator determines in its sole discretion and the Participants' rights under the ongoing Offering Period(s) shall be terminated; and

(e) To provide that all outstanding rights shall terminate without being exercised.

8.3 No Adjustment Under Certain Circumstances. Unless determined otherwise by the Administrator, no adjustment or action described in this Article VIII or in any other provision of the Plan shall be authorized to the extent that such adjustment or action would cause the Section 423 Component of the Plan to fail to satisfy the requirements of Section 423 of the Code.

8.4 No Other Rights. Except as expressly provided in the Plan, no Participant shall have any rights by reason of any subdivision or consolidation of shares of any class, the payment of any dividend, any increase or decrease in the number of shares of any class or any dissolution, liquidation, merger, or consolidation of the Company or any other corporation. Except as expressly provided in the Plan or pursuant to action of the Administrator under the Plan, no issuance by the Company of shares of any class, or securities convertible into shares of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number of Shares subject to outstanding rights under the Plan or the Purchase Price with respect to any outstanding rights.

## ARTICLE IX. AMENDMENT, MODIFICATION AND TERMINATION

9.1 Amendment, Modification and Termination. The Administrator may amend, suspend or terminate the Plan at any time and from time to time; provided, however, that approval of the Company's shareholders shall be required to amend the Plan to: (a) increase the aggregate number, or change the type, of shares that may be sold pursuant to rights under the Plan under Section 3.1 (other than an adjustment as provided by Article VIII) or (b) change the corporations or classes of corporations whose employees may be granted rights under the Plan.

9.2 Certain Changes to Plan. Without shareholder consent and without regard to whether any Participant rights may be considered to have been adversely affected (and, with respect to the Section 423 Component of the Plan, after taking into account Section 423 of the Code), the Administrator shall be entitled to change the Offering Periods, limit the frequency and/or number of changes in the amount withheld from Compensation during an Offering Period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a Participant in order to adjust for delays or mistakes in the Company's processing of withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Shares for each Participant properly correspond with amounts withheld from the Participant's Compensation, and establish such other limitations or procedures as the Administrator determines in its sole discretion to be advisable that are consistent with the Plan.

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9.3 Actions In the Event of Unfavorable Financial Accounting Consequences. In the event the Administrator determines that the ongoing operation of the Plan may result in unfavorable financial accounting consequences, the Administrator may, in its discretion and, to the extent necessary or desirable, modify or amend the Plan to reduce or eliminate such accounting consequence including, but not limited to:

(a) altering the Purchase Price for any Offering Period including an Offering Period underway at the time of the change in Purchase Price;

(b) shortening any Offering Period so that the Offering Period ends on a new Purchase Date, including an Offering Period underway at the time of the Administrator action; and

(c) allocating Shares.

Such modifications or amendments shall not require shareholder approval or the consent of any Participant.

9.4 Payments Upon Termination of Plan. Upon termination of the Plan, the balance in each Participant's Plan account shall be refunded as soon as practicable after such termination, without any interest thereon, or the Offering Period may be shortened so that the purchase of Shares occurs prior to the termination of the Plan.

## **ARTICLE X. TERM OF PLAN**

The Plan shall become effective on the Effective Date. The effectiveness of the Plan shall be subject to approval of the Plan by the Company's shareholders within twelve months before or after the date the Plan is first approved by the Board. No right may be granted under the Plan prior to such shareholder approval. No rights may be granted under the Plan during any period of suspension of the Plan or after termination of the Plan.

## **ARTICLE XI. ADMINISTRATION**

11.1 Administrator. Unless otherwise determined by the Board, the Administrator of the Plan shall be the Compensation Committee of the Board (or another committee or a subcommittee of the Board to which the Board delegates administration of the Plan). The Board may at any time vest in the Board any authority or duties for administration of the Plan. The Administrator may delegate administrative tasks under the Plan to the services of an Agent or Employees to assist in the administration of the Plan, including establishing and maintaining an individual securities account under the Plan for each Participant.

11.2 Authority of Administrator. The Administrator shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(a) To determine when and how rights to purchase Shares shall be granted and the provisions of each offering of such rights (which need not be identical).

(b) To designate from time to time which Subsidiaries of the Company shall be Designated Subsidiaries, which designation may be made without the approval of the shareholders of the Company.

(c) To impose a mandatory holding period pursuant to which Employees may not dispose of or transfer Shares purchased under the Plan for a period of time determined by the Administrator in its discretion.

(d) To construe and interpret the Plan and rights granted under it, and to establish, amend and revoke rules and regulations for its administration. The Administrator, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(e) To amend, suspend or terminate the Plan as provided in Article IX.

(f) Generally, to exercise such powers and to perform such acts as the Administrator deems necessary or expedient to promote the best interests of the Company and its Subsidiaries and to carry out the intent that the Plan be treated as an “employee stock purchase plan” within the meaning of Section 423 of the Code for the Section 423 Component.

(g) The Administrator may adopt sub-plans applicable to particular Designated Subsidiaries or locations, which sub-plans may be designed to be outside the scope of Section 423 of the Code. The rules of such sub-plans may take precedence over other provisions of this Plan, with the exception of Section 3.1 hereof, but unless otherwise superseded by the terms of such sub-plan, the provisions of this Plan shall govern the operation of such sub-plan.

11.3 Decisions Binding. The Administrator’s interpretation of the Plan, any rights granted pursuant to the Plan, any subscription agreement and all decisions and determinations by the Administrator with respect to the Plan are final, binding, and conclusive on all parties.

## **ARTICLE XII. MISCELLANEOUS**

12.1 Restriction upon Assignment. A right granted under the Plan shall not be transferable other than by will or the applicable laws of descent and distribution, and is exercisable during the Participant’s lifetime only by the Participant. Except as provided in Section 12.4 hereof, a right under the Plan may not be exercised to any extent except by the Participant. The Company shall not recognize and shall be under no duty to recognize any assignment or alienation of the Participant’s interest in the Plan, the Participant’s rights under the Plan or any rights thereunder.

12.2 Rights as a Shareholder. With respect to Shares subject to a right granted under the Plan, a Participant shall not be deemed to be a shareholder of the Company, and the Participant shall not have any of the rights or privileges of a shareholder, until such Shares have been issued to the Participant or his or her nominee following exercise of the Participant’s rights under the Plan. No adjustments shall be made for dividends (ordinary or extraordinary, whether in cash securities, or other property) or distribution or other rights for which the record date occurs prior to the date of such issuance, except as otherwise expressly provided herein or as determined by the Administrator.

12.3 Interest. No interest shall accrue on the payroll deductions or contributions of a Participant under the Plan.

#### 12.4 Designation of Beneficiary.

(a) A Participant may, in the manner determined by the Administrator, file a written designation of a beneficiary who is to receive any Shares and/or cash, if any, from the Participant's account under the Plan in the event of such Participant's death subsequent to a Purchase Date on which the Participant's rights are exercised but prior to delivery to such Participant of such Shares and cash. In addition, a Participant may file a written designation of a beneficiary who is to receive any cash from the Participant's account under the Plan in the event of such Participant's death prior to exercise of the Participant's rights under the Plan. If the Participant is married and resides in a community property state, a designation of a person other than the Participant's spouse as his or her beneficiary shall not be effective without the prior written consent of the Participant's spouse.

(b) Such designation of beneficiary may be changed by the Participant at any time by written notice to the Company. In the event of the death of a Participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such Participant's death, the Company shall deliver such Shares and/or cash to the executor or administrator of the estate of the Participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such Shares and/or cash to the spouse or to any one or more dependents or relatives of the Participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

12.5 Notices. All notices or other communications by a Participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

12.6 Equal Rights and Privileges. Subject to Section 5.7, all Eligible Employees will have equal rights and privileges under the Section 423 Component so that the Section 423 Component of this Plan qualifies as an "employee stock purchase plan" within the meaning of Section 423 of the Code. Subject to Section 5.7, any provision of the Section 423 Component that is inconsistent with Section 423 of the Code will, without further act or amendment by the Company, the Board or the Administrator, be reformed to comply with the equal rights and privileges requirement of Section 423 of the Code. Eligible Employees participating in the Non-Section 423 Component need not have the same rights and privileges as other Eligible Employees participating in the Non-Section 423 Component or as Eligible Employees participating in the Section 423 Component.

12.7 Use of Funds. All payroll deductions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions.

12.8 Reports. Statements of account shall be given to Participants at least annually, which statements shall set forth the amounts of payroll deductions, the Purchase Price, the number of Shares purchased and the remaining cash balance, if any.

12.9 No Employment Rights. Nothing in the Plan shall be construed to give any person (including any Eligible Employee or Participant) the right to remain in the employ of the Company or any Parent or Subsidiary or affect the right of the Company or any Parent or Subsidiary to terminate the employment of any person (including any Eligible Employee or Participant) at any time, with or without cause.

12.10 Notice of Disposition of Shares. Each Participant shall give prompt notice to the Company of any disposition or other transfer of any Shares purchased upon exercise of a right under the Section 423 Component of the Plan if such disposition or transfer is made: (a) within two years from the Enrollment Date of the Offering Period in which the Shares were purchased or (b) within one year after the Purchase Date on which such Shares were purchased. Such notice shall specify the date of such disposition or other transfer and the amount realized, in cash, other property, assumption of indebtedness or other consideration, by the Participant in such disposition or other transfer.

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12.11 Governing Law. The Plan and any agreements hereunder shall be administered, interpreted and enforced in accordance with the laws of the State of Israel, disregarding any state's choice of law principles requiring the application of a jurisdiction's laws other than the State of Israel. Certain definitions, which refer to the laws of such jurisdiction, shall be construed in accordance with other such laws. The competent courts located in Tel-Aviv-Jaffa, Israel shall have exclusive jurisdiction over any dispute arising out of or in connection with this Plan and any award granted hereunder.

12.12 Electronic Forms. To the extent permitted by Applicable Law and in the discretion of the Administrator, an Eligible Employee may submit any form or notice as set forth herein by means of an electronic form approved by the Administrator. Before the commencement of an Offering Period, the Administrator shall prescribe the time limits within which any such electronic form shall be submitted to the Administrator with respect to such Offering Period in order to be a valid election.

\* \* \* \* \*

**List of subsidiaries of Valens Semiconductor Ltd.**

<b><u>Name of Subsidiary</u></b>	<b><u>Jurisdiction of Organization</u></b>
Valens Semiconductor Inc.	U.S. (Delaware)
Valens Merger Sub Inc.	U.S. (Delaware)
Valens Trading (Shanghai) Co. Ltd.	China
Valens Semiconductor GmbH	Germany
Valens Japan Ltd.	Japan



## CERTIFICATIONS

I, Gideon Ben-Zvi, Chief Executive Officer, certify that:

1. I have reviewed this annual report on Form 20-F of Valens Semiconductor Ltd.;
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 Company as of, and for, the periods presented in this report;
4. The Company'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)) for the Company 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 Company, 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) [intentionally omitted];
  - (c) Evaluated the effectiveness of the Company'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 Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company'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 Company'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 Company's internal control over financial reporting.

Date: March 2, 2022

By: \_\_\_\_\_

/s/ Gideon Ben-Zvi

Gideon Ben-Zvi

**Chief Executive Officer**

*(Principal Executive Officer)*



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

The certification set forth below is being submitted in connection with the Annual Report on Form 20-F of Valens Semiconductor Ltd. for the year ended December 31, 2021 (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, Gideon Ben-Zvi, Chief Executive Officer, certify that to the best of my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 2, 2022

By: \_\_\_\_\_  
/s/ Gideon Ben-Zvi  
Gideon Ben-Zvi  
**Chief Executive Officer**  
*(Principal Executive Officer)*

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

The certification set forth below is being submitted in connection with the Annual Report on Form 20-F of Valens Semiconductor Ltd. for the year ended December 31, 2021 (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, Dror Heldenberg, Chief Financial Officer, certify that to the best of my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 2, 2022

By: \_\_\_\_\_ /s/ Dror Heldenberg  
Dror Heldenberg  
**Chief Financial Officer**  
*(Principal Financial Officer)*



**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-259849) of Valens Semiconductor Ltd. of our report dated March 2, 2022 relating to the financial statements, which appears in this Form 20-F.

Tel-Aviv, Israel  
March 2, 2022

/s/ Kesselman & Kesselman  
Certified Public Accountants (Isr.)  
A member firm of PricewaterhouseCoopers International Limited

*Kesselman & Kesselman, 146 Derech Menachem Begin, Tel-Aviv 6492103, Israel,  
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