AUDIO PIXELS LTD.
(A Development Stage Company)

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2009

U.S. DOLLARS IN THOUSANDS

INDEX

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REPORT OF INDEPENDENT AUDITORS

To the Shareholders of

AUDIO PIXELS LTD.
(A Development Stage Company)

We have audited the accompanying balance sheets of Audio Pixels Ltd. (a development stage company) ("Audio Pixels" or "the Company") as of December 31, 2009 and 2008, and the related statements of operations, changes in shareholders' equity (deficiency) and cash flows for each of the two years in the period ended December 31, 2009 and for the period from July 10, 2006 (date of inception) to December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2009 and 2008, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2009 and for the period from July 10, 2006 (date of inception) to December 31, 2009, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 1b to the financial statements, the Company is in the development stage and is not generating revenues from operations. These matters raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Kost, Forer Gabbay & Kasierer

Tel-Aviv, Israel
October 14, 2010

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

BALANCE SHEETS

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

	Note	December 31, 2009	December 31, 2008
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		$ 431	$ 2,346
Accounts receivable and prepaid expenses		18	88
Total current assets		449	2,434
EQUIPMENT, NET	3	457	576
OTHER ASSETS:			
Deferred charges	6	41	34
Long-term deposits		11	14
Total other assets		52	48
Total assets		$ 958	$ 3,058
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
CURRENT LIABILITIES:			
Current maturity of long-term loan	6	$ 313	$ 148
Trade payables		19	23
Other accounts payable and accrued expenses	4	220	201
Total current liabilities		552	372
LONG-TERM LIABILITIES:			
Long-term loan	6	432	297
Total long-term liabilities		432	297
COMMITMENTS AND CONTINGENCIES	5		
SHAREHOLDERS' EQUITY (DEFICIENCY):	7		
Share capital -			
Ordinary shares of NIS 0.01 par value - Authorized: 2,869,942 shares at December 31, 2009 and 2008; Issued and outstanding: 1,018,544 shares at December 31, 2009 and 2008		2	2
Series A Preferred shares of NIS 0.01 par value - Authorized: 1,660,758 shares at December 31, 2009 and 2008; Issued and outstanding: 1,165,802 shares at December 31, 2009 and 2008		3	3
Additional paid-in capital		7,150	7,133
Accumulated deficit		(7,181)	(4,749)
Total shareholders' equity (deficiency)		(26)	2,389
Total liabilities and shareholders' equity (deficiency)		$ 958	$ 3,058

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

STATEMENTS OF OPERATIONS

U.S. dollars in thousands

	Year ended December 31, 2009	Year ended December 31, 2008	Period from July 10, 2006 (date of inception) to December 31, 2009
Research and development expenses	$ 1,841	$ 2,278	$ 5,584
General and administrative expenses	467	581	1,409
Total operating expenses	2,308	2,859	6,993
Operating loss	2,308	2,859	6,993
Financial expenses (income), net	124	(39)	190
Other income	-	-	(2)
Net loss	$ 2,432	$ 2,820	$ 7,181

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)

U.S. dollars in thousands, except share data

	Ordinary shares		Series A Preferred shares		Additional paid-in capital	Accumulated deficit	Total
	Number	Amount	Number	Amount			
Balance as of July 10, 2006 *)	-	$ -	-	$ -	$ -	$ -	$ -
Issuance of shares at inception (see Note 7 (a))	1,000,000	2	-	-	(2)	-	-
Conversion of loan to shares	18,544	**) -	20,453	**) -	135	-	135
Beneficial conversion feature on convertible bridge loans	-	-	-	-	103	-	103
Issuance of shares and conversion of bridge loan, net (see Note 7(c))	-	-	490,865	1	2,923	-	2,924
Net loss	-	-	-	-	-	(1,929)	(1,929)
Balance as of December 31, 2007	1,018,544	2	511,318	1	3,159	(1,929)	1,233
Issuance of shares (see Note 7(c))	-	-	163,620	1	999	-	1,000
Issuance of shares, net ***) (see Note 7 (d))	-	-	490,864	1	2,958	-	2,959
Issuance of warrants (see Note 6)	-	-	-	-	17	-	17
Net loss	-	-	-	-	-	(2,820)	(2,820)
Balance as of December 31, 2008	1,018,544	2	1,165,802	3	7,133	(4,749)	2,389
Issuance of warrants (see Note 6)	-	-	-	-	17	-	17
Net loss	-	-	-	-	-	(2,432)	(2,432)
Balance as of December 31, 2009	1,018,544	$ 2	1,165,802	$ 3	$ 7,150	$ (7,181)	$ (26)

*) Date of inception of the Company.
**) Represents an amount lower than $ 1.
***) Net of issuance expenses of $ 41.

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

STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31, 2009	Year ended December 31, 2008	Period from July 10, 2006 (date of inception) to December 31, 2009
Cash flows from operating activities:			
Net loss	$ (2,432)	$ (2,820)	$ (7,175)
Adjustments to reconcile net loss to net cash used in operating activities:			
Beneficial conversion feature on convertible bridge loans	-	-	103
Depreciation	173	155	402
Amortization of discount and deferred charges	21	5	26
Changes in operating assets and liabilities:			
Decrease (increase) in accounts receivable and prepaid expenses	70	(42)	(18)
Decrease (increase) in lease deposit	3	(4)	(11)
Increase (decrease) in trade payables	(4)	(55)	19
Increase in other accounts payable and accrued expenses	19	30	214
Net cash used in operating activities	(2,150)	(2,731)	(6,440)
Cash flows from investing activities:			
Purchase of equipment	(54)	(108)	(859)
Net cash used in investing activities	(54)	(108)	(859)
Cash flows from financing activities:			
Receipt of long term loan, net of issuance expenses	480	462	942
Repayment of long term loan	(191)	(39)	(230)
Receipt of convertible bridge loans	-	-	260
Issuance of shares, net	-	3,959	6,758
Net cash provided by financing activities	289	4,382	7,730
Increase (decrease) in cash and cash equivalents	(1,915)	1,543	431
Cash and cash equivalents at beginning of period	2,346	803	-
Cash and cash equivalents at end of period	$ 431	$ 2,346	$ 431
Non-cash transactions:			
Issuance of warrants	$ 17	$ 17	$ 34
Conversion of convertible bridge loans	$ -	$ -	$ 260
Issuance of warrants in respect of issuance of shares	$ -	$ -	$ 9

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

NOTE 1:- GENERAL

a. Audio Pixels Ltd. (a development stage company) (the "Company") was established in 2006. The Company developed a new audio speaker platform that exceeds the performance, design costs, and production demands of the electronic manufacturers. The Company's technology allows achieving long-travel actuation using low cost micro-electromechanical structures.

b. The Company is in the development phase. It is currently not generating revenues from operations and is therefore dependent on external sources for financing its operations. There can be no assurance that the Company will succeed in raising additional financing necessary for its operations. These matters raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States ("U.S. GAAP"). The significant accounting policies followed in the preparation of the financial statements, are as follows:

a. Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

b. Financial statements in U.S. dollars:

The financial statements have been prepared in U.S. dollars since the currency of the primary economic environment in which the operations of the Company are conducted is the U.S. dollar ("dollar").

A substantial portion of the Company's purchases, as well as other costs, are incurred in dollars. In addition, the Company raised financing in U.S. dollars. Thus, the functional and reporting currency of the Company is the dollar.

Transactions and balances originally denominated in dollars are presented at their original amounts. Transactions and balances in other currencies have been remeasured into dollars in accordance with Accounting Codification Statement ("ASC") 830 (formerly: FASB No. 52, "Foreign Currency Translation" ("ASC 830").

Accordingly, items have been remeasured as follows: monetary items - at the exchange rate in effect on the balance sheet date; non-monetary items - at historical exchange rates and expense items - at the exchange rates in effect as of the date of recognition of those items (excluding depreciation and other items deriving from non-monetary items).

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

All exchange gains and losses from the remeasurement mentioned above are reflected in the statement of operations under financial expenses, net. The representative exchange rate of the U.S. dollar in relation to the new Israeli shekel ("NIS") at December 31, 2009 was $ 1.00 = NIS 3.775.

c. Cash equivalents:

All highly liquid investments with an original maturity of three months or less are considered cash equivalents.

d. Equipment:

Equipment is stated at cost, net of accumulated depreciation. Depreciation is computed by the straight-line method over the estimated useful lives of the assets.

Annual rates of depreciation are as follows:

	%
Computers and related equipment	33
Office furniture and equipment	7 – 20
Leasehold improvements	Over the shorter of the estimated useful life or the lease term.

e. Deferred charges:

Costs incurred to obtain financing through the issuance of long-term debt have been reflected as an asset in the balance sheet. These costs are amortized as financial expenses over the term of the related financing. Gross deferred charges were $ 58 and $ 38, less accumulated amortization of $ 13 and $ 4 as of December 31, 2009 and 2008, respectively.

f. Research and development expenses:

Research and development expenses consist primarily of salary and related costs for personnel, as well as costs related to materials, supplies and equipment depreciation. All research and development costs are expensed as incurred.

g. Income taxes:

The Company accounts for income taxes under the asset and liability method of accounting in accordance with ASC 740 (Formerly: Statement of Financial Accounting Standards No. 109), "Income Taxes" ("ASC 740"). Under the asset and liability method, deferred taxes are determined based on the differences between the financial statement and tax basis of assets and liabilities and are measured using enacted tax rates expected to apply in the year in which the differences are expected to be recovered or settled. Valuation allowances are provided, when necessary, to reduce deferred tax assets to amounts expected to be realized.

h. Fair value of financial instruments:

Unless otherwise noted, the carrying amount of financial instruments approximates their fair value.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

i. Impairment of long-lived assets:

The Company's long-lived assets are reviewed for impairment in accordance with ASC 360 (formerly: "Accounting for the Impairment or Disposal of Long-Lived Assets") ("ASC 360") whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability of an asset to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value. Through December 31, 2009, no impairment losses were identified.

j. Stock-based compensation:

The Company accounts for stock-based compensation in accordance with ASC 718 (Formerly SFAS No. 123 (revised 2004)), "Share-Based Payment" ("ASC 718").

ASC 718 requires companies to estimate the fair value of equity-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service periods in the Company's consolidated income statements.

k. Severance pay:

The Company signed agreements with employees, in accordance with section 14 of the Severance Pay Law -1963, according to which the Company's contributions for severance pay shall be in lieu of severance compensation and that upon release of the policy to the employee, no additional calculations shall be conducted between the parties regarding the matter of severance pay and no additional payments shall be made by the Company to the employee. Furthermore, related obligation and amounts deposits on behalf of such obligation are not stated on the balance sheet, as they are legally released from obligation to employees once the deposit amounts have been paid.

l. Recently issued accounting standards:

In June 2009, the FASB issued SFAS 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles". SFAS No. 168, which is incorporated in ASC Topic 105, Generally Accepted Accounting Principles, identifies the accounting standard codification (ASC) as the authoritative source of generally accepted accounting principles in the United States. Rules and interpretive releases of the SEC under federal securities laws are also sources of authoritative GAAP for SEC registrants. Throughout the notes to the consolidated financial statements references that were previously made to former authoritative U.S. GAAP pronouncements have been changed to coincide with the appropriate section of the ASC.

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

For accounting periods ending after June 15, 2009, new authoritative accounting guidance became effective under ASC Topic 855 (formerly SFAS No. 165) which modifies the definition of what qualifies as a subsequent event--those events or transactions that occur following the balance sheet date, but before the financial statements are issued, or are available to be issued--and requires companies to disclose the date through which it has evaluated subsequent events and the basis for determining that date. The adoption of ASC Topic 855 did not have a material impact on the Company's consolidated financial position or results of operations and financial condition.

NOTE 3:- EQUIPMENT

	December 31,	
	2009	2008
Cost:		
Computers and related equipment	$ 150	$ 125
Office furniture and equipment	547	518
Leasehold improvements	162	162
	859	805
Accumulated depreciation:		
Computers and related equipment	102	58
Property and equipment	196	110
Leasehold improvements	104	61
	402	229
Depreciated cost	$ 457	$ 576

Depreciation expense for the year ended December 31, 2009 and 2008 was $ 173 and $ 155, respectively.

NOTE 4:- ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	December 31,	
	2009	2008
Payroll and related expenses *)	$ 167	$ 154
Other accrued expenses	53	47
	$ 220	$ 201
*) Includes accrued vacation and recreation pay	$ 121	$ 97

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

NOTE 5:- COMMITMENTS AND CONTINGENCIES

a. The Company operates from leased premises in Rehovot and Migdal Haemek, Israel. The lease agreements expire in the year 2011 and 2010, respectively. Annual minimum future rental payments due under the above agreements, at exchange rates in effect on December 31, 2009, are approximately as follows:

2010	$ 60
2011	18
	$ 78

As security for the future lease payments, the Company provided the lender with a bank guarantee and deposited a promissory note in the amount of approximately $ 20.

Subsequent to balance sheet date, in 2010, the Company extended its lease agreement in Migdal Haemek for an additional year, expiring on 2011. The facility in Migdal Haemek is rented from a related party for total annual rental payments of $22.

b. The Company has an operating lease agreement for the rental of motor vehicles for a period of 36 months. The rental payments are linked to the Consumer Price Index ("CPI"). The Company has deposited $ 11 covering rental payment for the last three months in respect of these contracts. The deposit is linked to the CPI and bears no interest.

c. The Company granted a first rank fixed charge on the Company's fixed assets and intellectual property, and floating charges to the bank in support of the bank loans described in Note 6 below.

NOTE 6:- BANK LOAN

a. In September 2008, the Company received a loan facility from Silicon Valley Bank (the "lender") in the amount of $500, to be paid in 36 equal installments, bearing an interest of 9.37% per annum. In addition, the lender received 4,092 warrants to purchase Series A Preferred shares which vest immediately and are exercisable for seven years, at an exercise price of $ 6.11 per Series A Preferred share. Costs incurred with respect to the issuance of the above loan in the amount of $38 were recorded as an asset in the balance sheet, as described in Note 2(e). The amortization expenses for the years ended December 31, 2009 and 2008 were $11 and $4, respectively. As of December 31, 2009, the loan balance was $297, excluding accrued interest of $3.

The proceeds were allocated based on the relative fair value of the loan and the warrants in accordance with APB No.14, "Accounting for Convertible Debts and Debt Issued with Stock Purchase Warrants". The fair value of the warrants of $17 was calculated in accordance with the Black and Scholes model, in accordance with ASC 718, which was recognized as a debt discount with a corresponding increase to additional paid-in capital. The discount is amortized over the term of the loan.

NOTE 6:- BANK LOAN (Cont.)

b. In September 2009, the Company received a second loan facility from the lender in the amount of $ 500, to be paid in 36 equal installments, bearing an interest of 9.37% per annum. In addition, the lender received additional 4,092 warrants to purchase Series A Preferred shares which vest immediately and are exercisable for seven years, at an exercise price of $6.11 per Series A Preferred share. Costs incurred with respect to the issuance of the above loan in the amount of $ 20 were recorded as an asset in the balance sheet, as described in Note 2(e). The amortization expense for the year ended December 31, 2009 was $2. As of December 31, 2009, the loan balance was $448, excluding accrued interest of $3.

The proceeds were allocated based on the relative fair value of the loan and the warrants in accordance with APB No.14, "Accounting for Convertible Debts and Debt Issued with Stock Purchase Warrants". The fair value of the warrants of $17 in 2009 was calculated in accordance with the Black and Scholes model, in accordance with ASC 718, which was recognized as a debt discount with a corresponding increase to additional paid-in capital. The discount is amortized over the term of the loan.

c. In 2010, subsequent to balance sheet date, as part of the convertible note purchase agreement described in Note 9, the Company signed an amendment to the first and second loan facilities described in a. and b. above, according to which the bank will defer 75% of the monthly payments to be paid in March 2010 through August 2010 according to the original schedules of the loans until the Deferral Termination date (as defined in the agreement), subject to certain conditions described in the agreement. The amended payment schedule will be recalculated from the Deferral Termination date until the maturity date. The Deferral Termination date is the earlier to occur of (i) the occurrence of an Event of Default as defined in the agreement and (ii) September 1, 2010. In addition, the Company will pay an additional success fee to the bank in the amount of $ 30 upon occurrence of a liquidity event, as defined in the agreement.

NOTE 7:- SHAREHOLDERS' EQUITY (DEFICIENCY)

a. On July 10, 2006, the Company issued 100 Ordinary shares of NIS 1.00 par value each to the founders of the Company, for no consideration.

In February 2007, the Board of Directors and shareholders approved a 1:100 stock split of the Company's share capital. As a result of this action, each one share (including all authorized, issued and outstanding shares) will be divided into 100 shares of the same respective class of shares bearing a par value of NIS 0.01 each. All of the Company's authorized, issued and outstanding shares for all periods presented reflect the effect of the stock split.

In addition, in February 2007, the Board of Directors and shareholders approved the issuance of bonus shares of the Company to each of the existing shareholders, pursuant to which 99 Ordinary shares will be issued for each one share held by the shareholder. All of the Company's authorized, issued and outstanding for all periods presented reflect the effect of the issuance of bonus shares.

b. In September 2006, the Company received a convertible bridge loan of $135 from third parties to be converted to Ordinary shares upon the closing of the equity investment at a price reflecting a discount of 40%-50% of such future equity investment. The loan may be repaid by mutual consent, plus interest at a rate of Prime + 5%, from the date of the loan until the date of the closing of the equity investment. Upon the closing of the investment, described in c below, the convertible bridge loan was converted to 18,544 Ordinary shares and 20,453 Series A Preferred shares.

NOTE 7:- SHAREHOLDERS' EQITY (cont.)

The beneficial conversion feature attributed to the convertibility of the loans to Ordinary shares was calculated based on the guidance of ASC 470, "Debt". As a result of the aforementioned accounting, an amount of $103 was recorded as a debt discount with a corresponding increase to additional paid-in capital. As of December 31, 2007, the entire discount was amortized and recorded as financing expense.

c. In March 2007, the Company signed a Share Purchase Agreement ("SPA") for the issuance of 674,939 Series A Preferred shares in consideration of $ 4,000 (including the conversion of the bridge loan, as described below), upon completion of certain milestones. As of December 31, 2008, the entire amount was received from the investors.

In December 2006, the Company received a convertible bridge loan of $ 125 from the abovementioned shareholders to be converted into Series A Preferred shares upon the closing of the equity investment at a price of such future equity investment. The loan may be repaid by mutual consent, plus interest at a rate of 8%, compounded annually. Upon the closing of the investment, the convertible bridge loan was converted to 20,452 Series A Preferred shares as part of the total consideration of the SPA.

d. In November 2008, the Company signed a new Share Purchase Agreement ("SPA") for the issuance of 490,864 Series A Preferred shares in consideration for $ 3,000. As of December 31, 2008, the entire amount was received from the investors.

e. In 2006, the Company issued 2,454 warrants to purchase Ordinary shares with respect to services rendered to the Company in connection with the SPA. The Company estimated the fair value of the services rendered based on the fair value of the shares issued using the Black and Scholes pricing model and recorded an issuance expense of $ 9 which was recorded in additional paid-in capital for the period ended December 31, 2007.

f. In 2008, upon the signature of the loan agreement with Silicon Valley Bank, the Company issued 4,092 warrants to purchase Series A Preferred shares, as described in Note 6.

g. In 2009, upon the signature of the second loan agreement with Silicon Valley Bank, the Company issued additional 4,092 warrants to purchase Series A Preferred shares, as described in Note 6.

h. The Company adopted an Equity Compensation Plan (the "Plan") in 2007, which provides for the grant of options by the Company to officers, directors, employees and consultants of the Company. The options expire ten years from the date of grant. The exercise price of option awards under the Plan may be at varying prices determined by the board of directors or any of its committees. As of December 31, 2009, no options were granted under the Plan and 188,165 options to purchase Ordinary shares are available for future grants under the Plan.

NOTE 8:- TAXES ON INCOME

In February 2008, the Knesset (Israel's parliament) passed an amendment to the Income Tax (Inflationary Adjustments) Law, 1985, which limits the scope of the law starting 2008 and thereafter. Starting 2008, the results for tax purposes will be measured in nominal values, excluding certain adjustments for changes in the Consumer Price Index carried out in the period up to December 31, 2007. The amended law includes, inter alia, the elimination of the inflationary additions and deductions and the additional deduction for depreciation starting 2008.

NOTE 8:- TAXES ON INCOME (Cont.)

The Israeli corporate tax rates are as follows: 2008 - 27%, 2009 - 26%, 2010 - 25%. Tax at a reduced rate of 25% applies on capital gains arising after January 1, 2003, instead of the regular tax rate. In July 2009, the Knesset passed the Law for Economic Efficiency (Amended Legislation for Implementing the Economic Plan for 2009 and 2010), 2009, which prescribes, among others, an additional gradual reduction in the rates of the Israeli corporate tax and real capital gains tax starting 2011 to the following tax rates: 2011 - 24%, 2012 - 23%, 2013 - 22%, 2014 - 21%, 2015 - 20%, 2016 and thereafter - 18%.

Final tax assessments for the Company have not yet been received since commencement of operations.

The Company has net operating loss carryforwards in the amount of approximately $ 5,500 for the period ended December 31, 2009.

NOTE 9:- SUBSEQUENT EVENTS

Subsequent to balance sheet date, on March 24, 2010, the Company signed a convertible note purchase agreement with its existing shareholders, according to which the Company will receive a bridge loan in two tranches of up to $ 779 each, of which an amount of $ 846 was received by the Company to date. The loan bears interest at the rate of 6% and is repayable until August 31, 2010 at the Company's own discretion. In case the Company elects not to repay the loan, it will be automatically converted into approximately 700,000 Series B Preferred shares of the Company. The Company did not repay the loan, and as a result, the entire loan was converted into shares, as described above.

NOTE 10:- CONDENSED FINANCIAL DATA IN NOMINAL HISTORICAL VALUES FOR TAX PURPOSES

a. The Company provides nominal historical data for income tax purposes only.

b. The financial statements have been prepared in accordance with generally accepted accounting principles based on the historical cost convention, without taking into consideration the changes in the general purchasing power of the Israeli currency.

c. Balance sheets:

	December 31,	
	2009	2008
	NIS in thousands	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	1,627	8,919
Other accounts receivable and prepaid expenses	68	332
Total current assets	1,695	9,251
EQUIPMENT, NET	1,832	2,317
OTHER ASSETS:		
Deferred charges	151	131
Long-term deposits	43	53
Total other assets	194	184
Total assets	3,721	11,752
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturity of long-term loan	1,180	564
Trade payables	76	86
Other accounts payable and accrued expenses	834	765
Total current liabilities	2,090	1,415
LONG-TERM LIABILITIES		
Long-term loan	1,631	1,130
Total long-term liabilities	1,631	1,130
SHAREHOLDERS' EQUITY:		
Share capital	22	22
Additional paid-in capital	28,372	28,310
Accumulated deficit	(28,394)	(19,125)
Total shareholders' equity	-	9,207
Total liabilities and shareholders' equity	3,721	11,752

NOTE 10:- CONDENSED FINANCIAL DATA IN NOMINAL HISTORICAL VALUES FOR TAX PURPOSES (Cont.)

d. Statements of operations:

	Year ended December 31,		Period from July 10, 2006 (date of inception) to December 31,
	2009	2008	2009
	NIS in thousands		
Research and development expenses	7,267	8,266	21,497
General and administrative expenses	1,830	2,118	5,447
Total operating expenses	9,097	10,384	26,944
Operating loss	9,097	10,384	26,944
Financial expenses, net	171	608	1,456
Other income	1	-	(6)
Net loss	9,269	10,992	28,394

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