

Corporate Guard

Directors & Officers Liability Proposal

Proposer Details

1. Name of Company Tedeia Technological Development and Automation Ltd. _____
2. Address of Head Office 89, Medinat Hayehudim St. 4676672 Herzliya Pituach, Israel
3. Country of Registration Israel _____
4. (a) How long has the Company continually carried on business? Since 1969 _____
(b) State business activities of the Company and its subsidiaries? _____

Tedeia is an Industrial holding company.
5. During the last five years has:
 - (a) The name of the Company changed? ☐ Yes ☒ No
 - (b) Any acquisition or merger taken place? ☐ Yes ☒ No
 - (c) Any subsidiary company been sold or ceased trading? ☐ Yes ☒ No
 - (d) The capital structure of the Parent Company changed? ☐ Yes ☒ No
If "yes" please give details.

For changes in previous years please see the last report from 2019.

The company holds (through its granddaughter GW LLC) approximately 18% (approximately 16% in full dilution) of the capital of Centerity Ltd.

During the first quarter of 2020, Centerity raised capital from its shareholders to finance its operations. On February 25, 2020, the Company's Board of Directors approved the investment of \$ 400,000 as part of the said round of raising funds. In accordance with the terms of the round, in respect of GW LLC's participation in the round, it will receive an option to invest an additional sum of up to \$ 800,000 in share capital according to the same company value at which the round was held. The option can be exercised for 18 months from the date of the round.

After completing the round of raising, the company holds approximately 14.95% of Centerity shares (fully diluted 13.25%).

On April 7, 2020, the Company's Board of Directors decided to distribute a cash dividend in the amount of \$ 2 million (a total of approximately NIS 7.08 million), which constitutes approximately \$ 0.36024 (a total of approximately NIS 1.30766) for each ordinary share of the Company.

The Board of Directors has determined that the distribution meets the distribution tests set forth in section 302 of the Companies Law, 5769-1999. The dividend was paid on April 27, 2020.

On April 19, 2020, an Israeli Bank provided the company with a loan of NIS 3.6 million for a period of 5 years and a prime interest rate + 2.2%. The loan will be repaid in quarterly instalments. The company has the right to repay the loan at any time without early repayment cost. The Company obligated towards the Bank for the maintenance of liquid assets in the Company's account in the Banking Corporation at a total value not less than a total of \$ 750,000 to be calculated according to the representative rate, and in any case equal not less than a NIS 2.5 million NIS total.

On April 23, 2020, the Board of Stud P.O.W.E.R Ltd approved its contract with Bank Leumi LeIsrael Ltd. in an agreement under which the Bank will provide Stud P.O.W.E.R Ltd with a Government-guaranteed loan in the total amount of approximately NIS 7.8 million, for the purpose of financing working capital. The loan is for five years when in the first year the fund will not accrue interest. The principal and interest payments will be made starting in the second year in monthly installments. The loan bears a prime interest rate plus 1.5%. Stud P.O.W.E.R Ltd has the right to early repayment of the loan at any time. The loan is secured by a mortgage deposit in the amount of approximately NIS 390 thousand (approximately 5% of the loan principal).

On August 23, 2020, the Company announced the convening of an annual general meeting of the Company's shareholders, which was held on September 30, 2020. Issues on the agenda at the meeting and summary of resolutions passed: Discussion of the Company's financial statements for 2019, re-appointment of incumbent directors Except for external directors) and approval of reappointments of the auditors in charge and the determination of their salaries (for details, see Immediate reports from August 23, 2020 Reference No. 2020-01-082915 and from October 1, 2020 Reference No. 2020-01-098158).

On December 1, 2020, the Company announced the convening of a special meeting of the Company's shareholders which was held on January 5, 2021. The following is a summary of the resolutions passed:

- To approve the current terms of employment of Mr. Mordechai Gorfung as CEO of the Company for the period from January 1, 2021 to December 31, 2021.

- To approve the current terms of employment of Mr. Boaz Gorfung as VP of Business Development and as CEO of Molodan for the period from January 1, 2021 to December 31, 2021.

(For details see immediate reports from December 1, 2020 Reference No. 2020-01-122539 and from January 6, 2021, Reference No. 2021-01-002295).

Following the approval of the Company's Board of Directors dated August 23, 2020, the subsidiary, K.B. Recycling Industries Ltd. ("Subsidiary"), signed an agreement with a third party, an Israeli investment fund, according to which the fund will lend the subsidiary a total of \$ 3 million for a period of 24 months ("loan period"), at an annual interest rate of 5%.

To the extent that the subsidiary's shares are listed on a stock exchange until the end of the loan period, the loan principal will be converted into shares of the subsidiary at a price per share that reflects a company value (before cash) of \$ 10 million.

As long as the subsidiary's shares are not listed for trading until the end of the loan period, the fund may, at its discretion, demand repayment of the loan and interest or convert them into shares in the subsidiary at a company value (before cash) of \$ 10 million.

In addition, in exchange for the loan, the fund will have an option to purchase additional shares of the subsidiary in the total amount of up to \$ 1.5 million (ie 50% of the loan fund), at an exercise price of 1.75 times the above loan conversion price. The option will be exercisable for 5 years after registration for trading as long as it is made.

The agreement allows the subsidiary to raise up to \$ 2 million from additional lenders under the same conditions (including obtaining an option for an additional investment of up to half of their loan amount) so that the subsidiary's total fundraising can be up to \$ 5 million.

The company currently holds 50% of the capital and rights in the subsidiary and to date it has invested approximately NIS 9 million in it.

With a theoretical assumption of a full raising of \$ 5 million, the listing of the subsidiary's shares and the exercise of the fund's and additional lenders' options (insofar as they exist) in full, the company's and the additional shareholder's holdings will be diluted so that the company and the additional shareholder each hold approx. 30% of the capital of the subsidiary (and together about 60% of the capital). To the extent that the subsidiary issues additional securities as part of the listing for trading, The Company's Holdings will be diluted accordingly.

On September 21, 2020 the subsidiary began conducting a Road Show in preparation for listing of its shares on the Toronto Stock Exchange Venture, Canada. The subsidiary intends to complete the listing for trading (as completed) during the first quarter of 2021.

It is clarified that there is no certainty as to the registration of the trade, its scope and exact dates. The execution of the IPO is subject, inter alia, to the existence of appropriate market conditions and to the receipt of all approvals required by any law.

On February 14, 2021, Stud P.O.W.E.R Ltd renewed the credit line for the purpose of financing working capital in the amount of NIS 50 million, with the last date for the utilization of the aforementioned credit being no later than December 31, 2022 and its final repayment date will be no later than that day.

The utilization of credit will be subject to the submission of reports to the Bank regarding the value of the assets and rights \ included in the general current lien created by the Company for the benefit of the Bank on September 28, 2017.

A condition for the short-term utilization of the credit or any part of it is that when utilizing any of the above-mentioned credit, the short-term debt ratio for the Company's working capital needs does not exceed 0.75.

Effect of Corona epidemic outbreak:

In December 2019, the COVID-19 (Corona virus) virus broke out in China and has since spread to many countries around the world, including Israel. The spread of the corona virus is an unusual event in its scale which is characterized by uncertainty and frequent and rapid changes in the country and in many countries around the world. Following this "rolling event", which was declared a global epidemic by the World Health Organization, many countries, including Israel, have taken significant

steps to prevent the spread of the virus, such as restrictions on civilian movement, restrictions on gatherings, transport restrictions on passengers and goods, border closures, etc.

As of mid-March 2020, there has been a negative impact of the Corona virus on the sales volume of the subsidiary Stud P.O.W.E.R Ltd, mainly due to the "closure policy" introduced in the country from that date (until the end of May 2020).

Also, as of mid-March 2020 as aforesaid, Stud P.O.W.E.R Ltd., which received "Assurance Assignment of a Plant to Excluded Industries", acted in accordance with the guidelines, designed to maintain the proper health of its employees, while preparing for various scenario in various actions to ensure the continuity, as far as possible, of its activities. Meanwhile, at that time, Stud P.O.W.E.R Ltd outsourced some of its employees to an unpaid vacation. In addition Stud P.O.W.E.R Ltd acted, as far as possible, to reduce costs while reducing the volume of activity.

During May 2020, the workers gradually returned to work, all of whom had previously been expelled, and resumed operation of all production lines in accordance with the changing scope of activity and according to the "purple mark for business" guidelines. Which were in the pre-Corona period and they even exceeded the sales volume of Stud P.O.W.E.R Ltd in 2019 and this is mainly due to an increase in sales to renovation contractors.

In terms of the company and extras, it appears that at this stage, despite the reduction in activity in March-April 2020 as stated above, the corona crisis had no significant effect during the reporting period on the net realization value of inventory items and recognition of the provision for projected credit losses.

The management of the Company and the subsidiaries in which the company holds have taken steps to reduce expenses, and they act in accordance with the guidelines of the various regulators in Israel and around the world, as updated from time to time. In addition, the companies' managements regularly monitor the development of the event and its implications for the markets and the global economy, and make adjustments in the manner of activity and in the business plans as necessary in order to try and minimize the negative impact of the event.

In the opinion of the Company's management, the Group is expected to meet its obligations in the foreseeable future.

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6. (a) Has the Company any acquisition, tender offer or merger pending or under consideration? ☒ Yes ☐ No

Company's subsidiary, K.B. Recycling Industry Ltd., is expected to complete an IPO within a month. Following the IPO, K.B. Recycling Industry's shares will be listed under the TSX Venture Exchange. Following the IPO, said company will no longer be a subsidiary of the Policyholder.

- (b) Is the Company aware of any proposal relating to its acquisition by another company? ☐ Yes ☒ No

- (c) Is the Company intending a new public offering of securities within the next year? Shelf prospectus..... ☐ Yes ☒ No

7. Is the Company:

- (a) Private? ☐ Yes ☒ No

- (b) Public? ☒ Yes ☐ No

- (c) Listed on the Tel Aviv stock exchange? ☒ Yes ☐ No

- (d) Listed on foreign stock exchanges? ☐ Yes ☒ No

Please specify _____

- (e) Listed on the Unlisted Securities Market? ☐ Yes ☒ No

- (f) Traded in any other way? ☐ Yes ☒ No

Please specify _____

8. Please list:

- (a) Total number of shareholders it's a Public Company.
- (b) Total number of shares issued 6,540,004 shares.
- (c) Total number of shares held by Directors and Officers (both direct and Beneficial's)

2,662,831 shares as of January 7th 2021

- (d) All holdings representing 15% or more of the Ordinary Share Capital of the Company giving the holder and the percentage held by each

Mordechai Gorfung – 811,679 Shares.

FGRR Holdings Ltd. – 960,077 shares.

9. Please give details of any change to the list of Directors and Officers given in the Company's last Report and Accounts

There was not any change

10. Give a complete list of all subsidiary companies including country of registration and percentage owned by Parent Company other than those shown in the last Report and Accounts

Molodan Ltd., Israel, 100%

Studs P.O.W.E.R Ltd., Israel, 38.75%

K.B. Recycling Industries Ltd., Israel, 50%

Traffilog Ltd., Israel, 10%

Centerity Ltd., Israel, 15%

11. Does the Company or any Director or Officer have Directors & Officers Liability Insurance currently in force? ☒ Yes ☐ No
If "yes" please state:

(a) Insurer: AXA XL (50%) / Allianz (50%) _____

(b) Indemnity Limit: \$10,000,000.00 _____

(c) Expiry Date: 31/03/2021 _____

12. Has the Company ever had any Insurer decline a proposal or cancel or refuse to renew a Directors & Officers Liability Insurance?..... ☐ Yes ☒ No
If "yes" please give details.

North American Cover

Questions 13, 14, 15 and 16 are to be completed only if cover is required for claims made in the United States of America or Canada or claims made elsewhere arising out of the Company's operations in the United States of America or Canada.

13. Please give the total gross assets of the Group in North America _____

The total assets of the Group in North America: \$4.6 Million USD

14. (a) Please list those subsidiaries in North America that are not wholly owned together with the Company's percentage interest in each _____

BeyondEdge LLC (iPhotonix) - 22.1% (held by Molodan Ltd.)

Asymblix - 50% (held by Molodan Ltd.)

(b) For each company - Who owns the minority stock? _____

SAD Group – 66.5% in BeyondEdge LLC (iPhotonix) . 50% in Asymblix LLC.

Mr. Amir Elbaz – 4.44% in BeyondEdge LLC (iPhotonix)

15. (a) Does the Company or any of its subsidiaries have any stock, shares or debentures in North America? ☒ Yes ☐ No
If "yes":

(i) On what date was the last offer/tender/issue made? _____

(ii) Was the offer subject to The United States Securities Act of 1933 and/or The Securities Exchange Act of 1934 and/or any amendments thereto? ☐ Yes ☒ No

(iii) If any stocks or shares are traded in form of ADR's, please advise:

(a) Whether they are sponsored or un-sponsored? _____

(b) The percentage traded as a total of issued share capital? _____

(c) The number of ADR shareholders? _____

(b) Does the Company or any of its subsidiaries have any debt instruments or commercial paper in North America? ☐ Yes ☒ No
If "yes", please give details.

16. Has a 20-F filing been made to the USA regulatory authorities ☐ Yes ☒ No

If not applicable please confirm details: _____

The following questions are to be completed by all applicants

Claims Information

17. Have claims ever been made against any past or present Director or Officer of the Company or its subsidiaries? ☐ Yes ☒ No
If "yes", please give details.

18. Is the Proposer aware, after inquiry, of any circumstance or in incident which may give rise to a claim?..... ☐ Yes ☒ No
If "yes", please give details.

Indemnity Limit

19. Amount of Indemnity required (please tick)

☐ \$500,000 ☐ \$1,000,000 ☐ \$5,000,000
☒ Other - please state 10,000,000 USD _____

SIGNING THIS PROPOSAL DOES NOT BIND THE PROPOSER TO COMPLETE THIS INSURANCE.

Declaration

It is declared that to the best of the knowledge and belief of the insured the statements and replies set out herein are true and that no material facts have been misstated or suppressed after enquiry. The insured undertake to inform insurers of alterations to any facts which are or thereby become material before inception of the contract of insurance.

A material fact is one which would influence the acceptance or assessment of the risk.

Signed: Dan Haklai

Title: C.F.O
(authorised signatory of the insured)

Company: Tedea Technological Development and Automation Ltd

Date: 15-03-2021