

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

FORM 10-K

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

For the fiscal year ended December 31, 2016

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

For the transition period from _____ to _____

Commission file number 001-37370

MY SIZE, INC.

(Exact name of registrant as specified in charter)

Delaware

N/A

(State or jurisdiction of
Incorporation or organization)

I.R.S Employer
Identification No.

3 Arava St. P.O.B. 1026, Airport City, Israel, 7010000

[+972 72 3331002]

(Address, including zip code, and telephone number, including area code, of registrant's principle executive offices)

Corporation Service Company

2711 Centerville Road, Suite 400

Wilmington, DE 19808

(Name, address, including zip code, and telephone number, including area code, of agent for service)

(Issuer's Telephone Number)

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, par value \$0.001 per share

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

None

Title of Class

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ;

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company ;

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

Number of shares of common stock outstanding as of April 12, 2017 was 17,605,359.

Documents Incorporated by Reference: None.

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Item 1. Business

General Background and Description of the Company

My Size Inc. (hereinafter: the “Company”) was incorporated and commenced operations in September 1999 as Topspin Medical, Inc., (“Topspin”), a private company registered in the State of Delaware. Topspin was engaged, through 2012, in research and development of a medical magnetic resonance imaging (“MRI”) technology for interventional cardiology and in the development of MRI technology for use in the diagnosis and treatment of prostate cancer.

On September 1, 2005, the Company issued securities to the public in Israel according to a prospectus and became publicly traded on the Tel Aviv Stock Exchange (“TASE”). In 2007, and until August 2012, the Company registered some of its securities with the U.S. Securities and Exchange Commission (“SEC”).

In January 2012, after having received the approval at the general meeting of shareholders of the company, the company consummated a transaction whereby it acquired Metamorefex Ltd. Pursuant to such transaction Metamorefex became wholly owned by the Company. Metamorefex Ltd. was incorporated in 2007, and was engaged in the development of innovative solutions for the rehabilitation of tissues, particularly skin tissues.

On August 21, 2012, the Company’s board of directors (the “Board”), approved the suspension of the Company’s reporting obligations under Section 13(a) and 15(d) of the Securities Exchange Act (the “De-Registration”). The Company thereafter filed a Form 15 with the SEC on September 5, 2012 to effect the De-Registration. Upon the filing of the Form 15, the Company’s obligation to file periodic and current reports with the SEC, including Forms 10-K, 10-Q and 8-K, was immediately suspended.

By the end of 2012, in view of the Company’s cash flow, the Company’s ceased its above operations and shortly thereafter the Company’s employees were laid off. In January 2013 the Company sold its entire ownership interest in Metamorefex Ltd..

In December 2013, the Company changed its name to KnowledgeTree Ventures Inc. In January, 2014, the Board approved a transaction with Shoshana Zigdon, a related party, concerning the entering into of a technology venture through a new subsidiary, as discussed in “Shoshana Zigdon Agreement” below. On February 16, 2014, the Company changed its name to My Size, Inc.

On July 25, 2016, the Company’s common stock began publicly trading on the NASDAQ Capital Market (“NASDAQ”).

Transaction Involving Change in Control

In September 2013, Ronen Luzon, the Company’s current Chief Executive Officer, purchased control of the Company from Mr. Asher Shmuelevitch (the “Transaction”). Mr. Luzon purchased 1,755,950 shares from Mr. Shmuelevitch, which shares represented approximately 40% of the issued and outstanding share capital at such time, and thus he became a controlling shareholder of the Company.

Within the framework of the Transaction, Mr. Luzon reached a settlement with the Company’s creditors pursuant to which the main creditor, Mr. Asher Shmuelevitch, was paid a total sum of New Israeli Shekel (“NIS”) 0.5 million, in consideration for a full and final waiver of any and all his claims that he may have relating to any monetary indebtedness of the Company to the creditors.

As a result of the various investment rounds in the Company, Mr. Luzon’s holdings in the Company have been diluted and currently represent approximately 9.97% of the issued and outstanding shares of Common Stock of the Company.

Business Overview

The Company is a technology company whose strategy is based on the development of applications that can be utilized to accurately take measurements of a variety of items via a smartphone. By downloading the application to one’s smartphone, the user is then able to run the smartphone over the surface of an item the user wishes to measure. The information is then automatically sent to a cloud-based server where the dimensions are calculated through the company’s proprietary algorithms, and the accurate measurements (+ or - .78 of an inch) are then sent back to the users smartphone. We believe that the commercial applications for this technology are significant in many areas.

Currently, we are focusing on the following market segments:

- E-commerce Apparel Industry – our main target-market;
- Courier Services;

- Do It Yourself (DIY) uses; and
- Usage as a Tape Measure.

While we are currently devoting much of our focus on the applications for the apparel business, the Company believes that all of the above mentioned applications will be useful to users, retailers and vendors alike.

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February 2014 Purchase Agreement

In February 2014, the Company entered into a Purchase Agreement (the "Agreement") with Shoshana Zigdon ("Seller"), relating to the acquisition of certain rights in a venture for the accumulation of physical data of human beings by portable electronic devices (including smart phones, tablets and other portable devices) for the purpose of locating, based on the accumulated data, articles of clothing in internet apparel stores, which will fit the person whose measurements were so accumulated (the "Venture"). Prior to entering into the Agreement, in January 2014, the Agreement was approved by shareholders of the Company as the Seller was also a beneficial owner of over 20% of the Company.

Pursuant to the Agreement, the Company purchased the all of Seller's rights, title and interest in and to the Venture, including but not limited to, the method (the "Method") and the certain patent application that had been filed by Seller (PCT/IL2013/050056) (the "Patent", and collectively with the Method, the "Assets").

In consideration for the sale of the Assets, the Company agreed to pay to Seller, 18% of the Company's operating profit, directly or indirectly connected with the Venture and/or the Method and/or the commercialization of the Patent together with Value-added tax ("VAT") in accordance with the law (the "Consideration") for a period of 7 years from the end of the development period of the Venture. The parties further agreed that Seller's right to receive the Consideration will apply even in the event the Patent is revoked/rejected/expires and/or the non-receipt of the Patent for any reason. Down payments on account of the Consideration are to be paid to the Seller once quarterly, within 14 days from the approval of the reviewed financial reports of the Company, with the exception of the fourth quarter which will be paid after the approval of the audited financial reports of the Company. Payment will be made against a duly issued tax invoice as prescribed by law.

The Agreement may be terminated by either party in the event of a breach of the obligations of the other party and the failure to cure a default within a specified period of time. The Agreement further provides that Seller is entitled to repurchase the Assets from the Company upon the occurrence of one or more of the following events: (a) if an application for liquidation of the Company and/or an application for Appointment of a receiver for the Company and/or for a significant part of its assets has been filed, and/or an attachment has been imposed on a significant part of the Company's assets, and the application or attachment – as the case may be – has not been canceled within 60 (sixty) days from the date on which they are filed; or (b) if upon the date that is 7 years from the date of execution of the Agreement, the amount of Company's income, directly and/or indirectly accumulated from the Venture and/or the Method and/or the commercialization of the Patent is less than NIS 3.6 million ("Repurchase Events").

In any such Repurchase Event occurs, Seller's shall have a 90 day right, subject to delivery of written notice to the Company of Seller's intention to exercise such right, to repurchase the Assets from the Company. The repurchase price will be based upon a market price to be determined by an external and independent valuer, who shall be chosen by agreement by the parties, and the audit committee shall conduct the negotiations on behalf of the Company to determine the identity of the valuer. In the absence of agreement on the identity of the valuer, the valuer shall be appointed by the president of the Institute of Certified Public Accountants in Israel. If one of the parties appeals against the valuation, with the Company's decision to appeal being made by the audit committee of the company, the parties shall approach another agreed valuer from one of the four large accounting firms in Israel (and in the absence of agreement he shall be chosen by the president of the Institute of Certified Public Accountants) and an average shall be taken of the two valuations which are received. The parties shall bear the valuers' fees and all the expenses of the valuation in equal shares. Unless Seller gives the Company written notice of the retraction of Seller's intention to repurchase the Assets, the Seller shall be obligated to repurchase the Assets within 60 days from the date of receipt of the valuation. Seller shall have the right to retract its intention to repurchase the assets, provided Seller gives written notice to the Company within 30 days of receiving the valuation and subject to Seller refunding the Company the expenses borne by the Company in respect of the valuation (provided that the Company gives Seller details of the expenses borne by it).

In addition to the foregoing, the Agreement provides that all developments, improvements knowledge and know-how developed and/or accumulated by the Company after the execution of the Agreement will be owned by the Company. Further, the Seller agreed not to compete, directly or indirectly, with the Company in anything relating to the Assets and/or the Venture and/or the Method for a period of 7 years from the end of the development period of the Venture.

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The Market - The Apparel Industry

The growth in online apparel shopping has been both a blessing and a curse for retailers. The blessing: what was a \$60 billion apparel and accessories market in 2015 is projected to increase to \$86.4 billion US dollars by 2018. The curse: while online apparel shopping is growing quickly, so too have customer returns, and nearly 20-30% of the time it is because of a bad fit.

For apparel retailers, both in retail and online, customer returns are a necessary pain point, backed by flexible return policies and in some instances, free return shipping. However, online retailers have higher operating costs as at least 30% of all products ordered online are returned, compared to 8.89% from retail stores, according to recent data. The U.S. Census Bureau estimated that total e-commerce sales for 2016 were \$394.9 billion, an increase of 15.1% from 2015. Digging deeper, it can be learned that most online apparel retailers have average return rates of 15-20%, of which around 80% are fit-based. When translating these figures into hard currency, in the United States, online consumers returned \$260 billion in merchandise to retailers last year, or 8% of all purchases (according to the National Retail Federation).

MySizeID

We are currently in development of an application ("MySizeID") which assists the consumer to accurately take the measurements of his or her own body using a smartphone in order to fit clothing in the best way possible without the need to try the clothes on. The purpose of our application is to simplify the process of clothing acquisition through the internet and to significantly reduce the rate of returns of ill-fitting clothing which are acquired through the internet.

The app. is the result of a research and development effort that combines:

- Anthropometric research – analyses of information pertaining to body measurements derived from a survey and the subsequent determination of correlations between body parts.
- Body measurement algorithm research - an algorithm created by the Company to measure body parts.
- Retailers size chart analyses – adopting a deep understanding of the size charts of retailers and the corresponding "body to garment size".

MySizeID will operate based on the use of existing sensors in smart phones which enable, through a specific purpose application, the measurement of the body of

consumers independently by moving the cellular phone along his or her body. The measurements will then be saved on the Company's cloud database, enabling the user to search for clothes in various retailer websites without worrying about size. When a search is made, the retailer will connect to the Company's cloud database and then only provides results based on the user's measurements and other parameters as he or she may have defined. This data will also be saved for use when a customer enters a brick and mortar store to help serve the customer more efficiently and to better the shopping experience.

As soon as the item is found and the acquisition is completed, the retailer will be charged a certain percentage of the acquisition price. The rate to be charged by MySize for the acquisition has not yet been fixed, and will be determined following negotiations with fashion companies, in a more advanced stage of the development.

How MySizeID Can be Utilized by the Apparel Industry

1. MySizeID: This app. will let consumers create a secure, online profile of their personal measurements, which can then be utilized with partnered online retailers to insure that no matter the manufacturer or size chart, they will get the right fit. The MySizeID app. will utilize a patent-pending measurement technology that does not rely on user photographs or any additional hardware; all a user needs to do is scan their body with their smartphone and the app records their measurements.
2. In Store Shopping Tool: Users of MySizeID can allow brick and mortar merchants to access their profile to receive more personalized attention. This concierge like service enables a salesperson to better serve customers by accessing the user's size and style preferences to make the in-store shopping experience more pleasant, time efficient and satisfactory.
3. Cross Site Search Feature: The MySizeID profile will enable users to search for a specific product or item across multiple online retailers, but, unlike most shopping comparison shopping tools, MySizeID will deliver results that fit each individual user's measurements. This feature can be customized for personalized filters that go beyond sizing and measurements, and can also include a user's favorite colors, brands, styles and more.

The application is being designed to use a person's body measurements to help determine correct apparel sizes when shopping on-line. To begin, the app will measure the hip breadth, and uses statistical, mathematical algorithms to recommend the most appropriate size trousers.

True Size

In November 2016, My Size introduced a new product called TrueSize.

TrueSize is a customizable, white-label, mobile application that empowers retailers to improve the online shopping experience of their customers by perfectly matching their true measurements with the retailer's offerings. The level of accuracy and ease of use integrated into the retailer's website ensures that the customers will select the right size apparel every time, and we believe this will significantly reduce the amount of returns.

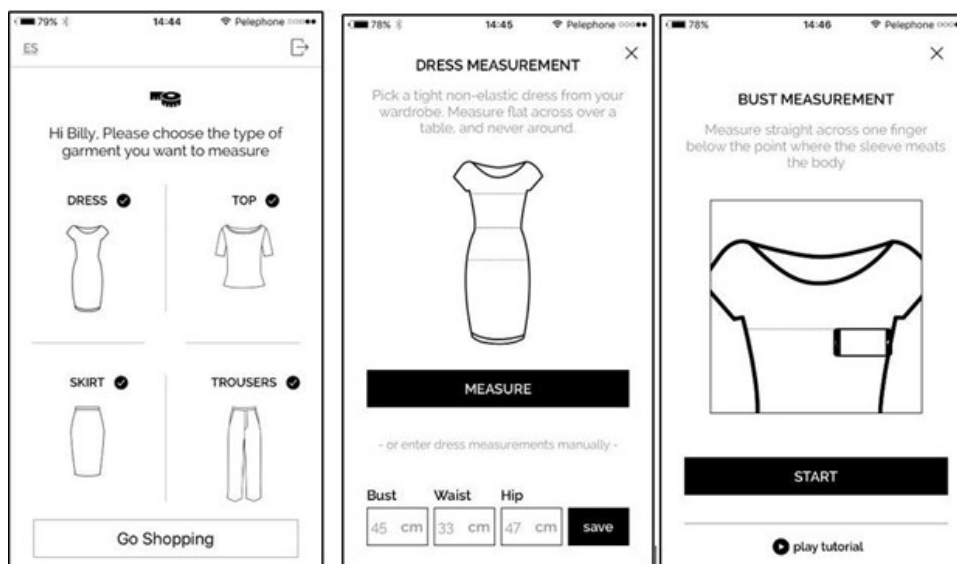
How Does TrueSize Work?

TrueSize has two components: a white label app. and a small application located on each page of the retailer's website. First, the customer downloads the TrueSize app., branded to a specific retailer's website, and signs in, using the same credentials used for the online store. The application will then guide the customer through the process.

Using the TrueSize app., the customer next takes accurate measurements of an item of clothing from their wardrobe by placing the smartphone first on one end of the item and then on the other end. The app. will then prompt the user to take several different measurements to get a complete reading. The information pertaining to each item is then saved, but can be updated at any time.

Measurements are next stored in the cloud and a recommended size for the user is calculated. The user may continue shopping directly from the app. by clicking the "Go Shopping" button, which will direct them to the retailer's mobile website.

The chart below illustrates how consumers can interact with the prompts from the TrueSize app.



Shopping with TrueSize:

A "TrueSize" widget in the form of a button is located in proximity to the size selection feature on each product page of the retailer's website. If the customer has signed in to the site and has already downloaded the TrueSize App and taken measurements, a recommended size will automatically appear in the widget. Users then have the option to manually update their size parameters – height, weight, and an item's parameters – at any time by simply clicking on the widget.

If the customer has not yet signed, a prompt will appear requesting the customer to do so.

The first customer to use the TrueSize technology is IN SITU S.A., the owner of the rights to the fashion brand-name TRUCCO (the “Trucco Project”).

The Trucco Project is currently in the development stage and, and is being designed in conjunction with Trucco, so that Trucco customers can use it in the following manner:

Stage 1 – Trucco consumers will create their profile using our web service or through our mobile app by measuring garments out of their wardrobe.

Stage 2 – after creating their profile, the users will be able to log into Trucco online shop using their Trucco ID (received after creating their profile) and selecting the type of garment they would like to buy.

Stage 3 – Trucco servers will retrieve the user information from MySize servers and filter out only the items that match the users size.

Stage 4 – the users can then select the garments he or she like and proceed to checkout.

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The launch of the Trucco Project is currently expected to take place in the second quarter of 2017. The Company’s success is currently substantially dependent upon the ongoing relationship with IN SITU S.A. and the achievement of the milestones for the Trucco project.

The Market - Courier Services

When an individual wishes to ship boxes from place to place, they often call a courier service. Currently, individuals will contact a courier service and request a pick up. The individual is then usually asked the dimensions of the package to be shipped. Unfortunately, the response given to the courier can be rather vague (big, medium small etc.). This is often the cause of much confusion between the individual shipper and the courier. This confusion can lead to the courier sending out the wrong vehicle for the pick-up and/or a large price differential than what was originally quoted by the courier causing customer dissatisfaction.

How MySize Can be Utilized for Courier Services

MySize operates based on the use of existing sensors in smart phones which enable, through a specific purpose application, to measure the dimensions of each package by moving the cellular phone along package (length, height and width) to be sent via courier. The measurements will then be saved on the Company's cloud database, and shared with the courier. This will allow for:

- Courier services to provide accurate pricing to their consumers with little to no confusion.
- Courier services can send the proper sized vehicle to pick up package(s).

The courier service market in the United States alone had revenues of over \$90 billion in 2014 ([http:// marketrealist.com/2015/07/look-courier-service-industry-united-states/](http://marketrealist.com/2015/07/look-courier-service-industry-united-states/)). Consequently, the Company views this as an excellent opportunity to create value in the courier market.

Agreement with Katz Delivery Services, LTD

On November 20, 2015, MySize entered into an agreement with Katz Deliveries, LTD (“Katz”), one of the largest courier services in Israel. Katz delivers about five million parcels per year (the most in Israel). Katz has more than 250 vehicles. Pursuant to our agreement with Katz, the parties have agreed to mutually work together to develop and integrate MySize technology with the technology of Katz to accurately monitor the volume of all parcels delivered to it for shipment by its clients. The goal is for Katz to use our technology to help with planning its distribution lines, thus reducing operational costs by adjusting the distribution vehicles to the volume of the shipments. MySize hopes to begin to see revenues from this endeavor by the second half of 2017, but is still in negotiations with Katz regarding terms of payment.

SizeUp

MySize is working on additional consumer applications. One of these applications is in the category of “Do It Yourself” (DIY). In this application, users will be able to visualize how an object or a piece of furniture will fit in an existing room in their home or office. As many people have difficulty with spatial recognition, the company hopes this will help alleviate the problem.

In the third quarter of 2015, My Size launched the SizeUp app, a smart tape measure for the Business to Consumer market. SizeUp is a project that MySize has already completed and launched. This application allows users to utilize their smartphone as a tape measurer. The application provides measurements with an accuracy +/- 2 cm. The SizeUp application is currently offered for free. In the first quarter of 2016, a 2nd version of SizeUp for the iOS operating system was released. It included the ability to measure both horizontal and vertical measurements. In January 2017, a 3rd version of SizeUp for the iOS operating system was released. It included an innovative air measurement algorithm which allows the user to measure over the air without the need to slide the phone over the surface during the measurement. Through February 2017, there have been over 200,000 downloads of the SizeUp app.

The first version of the SizeUp app for Android was released in March 2016. It included vertical measurement.

We expect to release an updated Android version by the third quarter of 2017 that will include also a very simple one-time calibration process for ensuring high accuracy.

Currently, the 3rd version of the SizeUp app. for iOS available for free. The Company’s plan, which has not been implemented, is for both versions of the SizeUp app (for Android and iOS) to be available for free for the first 30 days, where after a user will be required to pay to continue using it.

Research and Development

The Company has incurred research and development expenses of \$727,000 in 2016 and \$301,000 in 2015 relating to the development of its apps. and technologies. Most of the research and development expenses are for wages and for subcontractors. The Company expects to continue to incur these costs as continues to develop its products and technologies.

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Income Sources - Projected Income

The Company business model currently contemplates four methods of producing revenue through its products:

1. Fees - The Company intends to charge sellers a fee for every garment and clothing item purchased using its services, which fees are currently anticipated to be in the range of 1-3% of royalties on product sales, depending on volume, resulting from usage of the MySizeID platform.
2. Advertisements - the Company may generate revenue by using specialized ads using its database to identify the user's exact needs.
3. Second Hand Goods - the Company may offer its services for private sellers of garments and clothing, such as through "ebay" and the like. In this case, the seller will pay a fee if the purchase was made using the Company's application.
4. "Offline Shopping" - the Company may offer its services for clothing and fashion stores, for real-time use by their customers. The service may allow the store to immediately offer the customer a fitting garment suitable for his or her size.

Competition

MySize believes that its technology and applications are a win-win solution for consumers, retailers, couriers and individuals. The Company's technology is protected by 4 patent-pending submissions, with a fifth patent application in process. MySize's products are designed to allow users to measure themselves simply by sliding a smartphone over their body, and the measurements are recorded by the MySize app.

Unlike other products claiming similar capabilities, there is no need for additional accessories (no webcam, photos, or measuring tape etc.). Users of the MySize apps will have their information protected and a unique id number is provided that matches personal sizes with retailer size charts. When consumers get the right size products, retailers get fewer returns.

My Size's advantage lies in its easy to use application in recording body measurements. Using special algorithmic equations, the software is able to determine which sizes will best fit the customer. The collection of this data, and tracking shoppers' preferences, allows for a unique shopping experience both online and in brick and mortar stores where the technology can instantly match clothes the customer likes in sizes that will fit them.

However, My Size does face competition in helping retailers increase conversation rate and reduce shipping costs.

COMPETITIVE LANDSCAPE

Name	Technology	User Action	Product / Service
True Fit	Algorithm driven engine matches manufacturer specs and data points with customer profile	Answer questions to create profile.	<ul style="list-style-type: none"> • True Fit Recommendation Engine
Fits.me	Software solution based on a personal avatar; Algorithm driven engine matches manufacturer specs and data points with customer profile	Answer questions to create profile	<ul style="list-style-type: none"> • Virtual fitting room Size • Recommendations
Virtusize with	Compares a reference item the silhouette of the garment they are looking to buy	Reference items: a previous purchase or a favorite item	<ul style="list-style-type: none"> • garment-to-garment comparison.

Some of our competitors have significantly greater financial, marketing, personnel and other resources than we do, and many of our competitors are well established in markets in which we have existing retailers or intend to locate new retailers. We may also need to evolve our concepts in order to compete with popular new retail formats or concepts that develop from time to time, and we cannot offer any assurance that we will be successful in doing so or that modifications to our concepts will not reduce our profitability.

Employees and Independent Contractors

We currently have 17 employees (some of which are independent contractors).

Item 1A - Risk Factors

An investment in our common stock involves a high degree of risk. You should carefully consider the following risk factors and the other information in this registration statement before investing in our common stock. Our business and results of operations could be seriously harmed by any of the following risks. The risks set out below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results. If any of the following events occur, our business, financial condition and results of operations could be materially adversely affected. In such case, the value and trading price of our common stock could decline, and you may lose all or part of your investment.

Risks Related to Our Company and Our Business

We may never successfully develop any products or generate revenues.

We are a pre-revenue stage company with research, development, marketing and general and administrative expenses. We may be unable to successfully develop or market any of our current or proposed products or technologies, those products or technologies may not generate any revenues, and any revenues generated may not be sufficient for us to become profitable or thereafter maintain profitability. We have not generated any recurring revenues to date.

We have historically incurred significant losses and there can be no assurance when, or if, we will achieve or maintain profitability.

During the twelve months ended December 31, 2016, the Company realized a net loss of \$4,334,000 compared with a net loss of \$3,437,000 for the year ended December 31, 2015. Because of the numerous risks and uncertainties associated with the development of the Company's products and business, we are unable to predict the extent of any future losses or when we will become profitable, if at all. Expected future operating losses will have an adverse effect on our cash resources, stockholders' equity and working capital. Our failure to become and remain profitable could depress the value of our stock and impair our ability to raise capital, expand our business, maintain our development efforts, diversify our portfolio of staffing companies, or continue our operations. A decline in our value could also cause you to lose all or part of your investment in our Company.

For the purpose of financing its operating activities in the foreseeable future, the Company will need to rely on, in part, the collection of existing cash commitments from investors and the sale of marketable securities.

For the purpose of financing its operating activities in the foreseeable future, the Company will rely on the collection of existing cash commitments from investors, the sale of marketable securities and raising additional funds. The Company estimates that the committed investments will be adequate to fund its operations through the 12 months following the approval date of the financial statements. The Company fully expects to continue to collect on the committed investments however; the failure to collect these funds could give rise in the future to a situation regarding the Company's ability to continue its operation as a going concern. The financial statements include no adjustments for measurement or presentation of assets and liabilities, which may be required should the Company fail to operate as a going concern.

We will need to raise additional capital to meet our business requirements in the future, which is likely to be challenging, could be highly dilutive and may cause the market price of our common stock to decline.

In order to meet our business objectives, we will need to raise additional capital, which may not be available on reasonable terms or at all. Additional capital would be used to accomplish the following:

- financing our current operating expenses;
- pursuing growth opportunities;
- hiring and retaining qualified management and key employees;
- responding to competitive pressures;
- complying with regulatory requirements; and
- maintaining compliance with applicable laws.

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To the extent that we raise additional capital through the sale of equity or convertible debt securities, the issuance of those securities could result in substantial dilution for our current stockholders. The terms of any securities issued by us in future capital transactions may be more favorable to new investors, and may include preferences, superior voting rights and the issuance of warrants or other derivative securities, which may have a further dilutive effect on the holders of any of our securities then-outstanding. We may issue additional shares of our common stock or securities convertible into or exchangeable or exercisable for our common stock in connection with hiring or retaining personnel, option or warrant exercises, future acquisitions or future placements of our securities for capital-raising or other business purposes. The issuance of additional securities, whether equity or debt, by us, or the possibility of such issuance, may cause the market price of our common stock to decline further and existing stockholders may not agree with our financing plans or the terms of such financings.

In addition, we may incur substantial costs in pursuing future capital financing, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. We may also be required to recognize non-cash expenses in connection with certain securities we issue, such as convertible notes and warrants, which may adversely impact our financial condition.

Furthermore, any additional debt or equity financing that we may need may not be available on terms favorable to us, or at all. If we are unable to obtain such additional financing on a timely basis, we may have to curtail our development activities and growth plans and/or be forced to sell assets, perhaps on unfavorable terms, which would have a material adverse effect on our business, financial condition and results of operations.

The success of our business is highly dependent on being able to predict which applications and technologies will be successful, and on the market acceptance and timely release of those applications and technologies. If we do not accurately predict which applications and technologies will be successful, our financial performance will be materially adversely affected.

We expect to derive most of our revenue by charging fees in connection with the usage of our applications and technologies. We must make product development decisions and commit significant resources well in advance of the anticipated introduction of new applications technologies. The release of our applications and technologies may be delayed, may not succeed or may have a shorter life cycle than anticipated. If the applications are not released when anticipated or do not attain wide market acceptance, our revenue growth may never materialize, we may be unable to fully recover the resources we have committed, and our financial performance will be harmed.

We are substantially dependent on assets we purchased from an affiliated party, and if we lose the rights to such assets or the assets are repurchased for any reason, our ability to develop existing and new applications based upon these assets would be harmed, and our business, financial condition and results of operations would be materially and adversely affected.

Our business is substantially dependent upon assets that we acquired from Shoshana Zigdon. Pursuant to the Purchase Agreement, we acquired certain rights in a venture for the accumulation of physical data of human beings by portable electronic devices (including smart phones, tablets and other portable devices) for the purpose of locating, based on the accumulated data, articles of clothing in internet apparel stores, which will fit the person whose measurements were so accumulated (the "Venture"). Under the Purchase Agreement, we acquired Seller's rights, title and interest in and to the Venture, including but not limited to, the method (the "Method") and the certain patent application that had been filed by Seller (the "Patent", and collectively with the Method, the "Assets"). Therefore, our ability to develop and commercialize our applications depends upon the effectiveness and continuation of the Purchase Agreement. If we lose the right to the Assets, our ability to develop existing and new drug applications would be harmed.

The Agreement may be terminated by either party in the event of a breach of the obligations of the other party and the failure to cure the default within a specified period of time. Further, Seller has the right to repurchase the Assets from us upon the occurrence of one or more of the following events: (a) if an application for liquidation of the Company and/or an application for Appointment of a receiver for the Company and/or for a significant part of its assets has been filed, and/or an attachment has been imposed on a significant part of the Company's assets, and the application or attachment – as the case may be – has not been not canceled within 60 (sixty) days from the date on which they are filed; or (b) if upon the completion of 7 years from the date of execution of the Agreement, amount of Company's income, directly and/or indirectly accumulated from the Venture and/or the Method and/or the commercialization of the Patent is less than NIS 3.6 million ("Repurchase Events").

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A more active, liquid trading market for our common stock may not develop, and the price of our common stock may fluctuate significantly.

Although our common stock is listed on the NASDAQ Capital Market, it has only been traded on the NASDAQ Capital Market since July 25, 2016. There has been relatively limited trading volume in the market for our common stock, and a more active, liquid public trading market may not develop or may not be sustained. Limited liquidity in the trading market for our common stock may adversely affect a stockholder's ability to sell its shares of common stock at the time it wishes to sell them or at a price that it considers acceptable. If a more active, liquid public trading market does not develop, we may be limited in our ability to raise capital by selling shares of common stock and our ability to acquire other companies or assets by using shares of our common stock as consideration. In addition, if there is a thin trading market or "float" for our stock, the market price for our common stock may fluctuate significantly more than the stock market as a whole. Without a large float, our common stock would be less liquid than the stock of companies with broader public ownership and, as a result, the trading prices of our common stock may be more volatile and it would be harder for you to liquidate any investment in our common stock. Furthermore, the stock market is subject to significant price and volume fluctuations, and the price of our common stock could fluctuate widely in response to several factors, including:

- our quarterly or annual operating results;
- changes in our earnings estimates;

- investment recommendations by securities analysts following our business or our industry;
- additions or departures of key personnel;
- changes in the business, earnings estimates or market perceptions of our competitors;
- our failure to achieve operating results consistent with securities analysts' projections;
- changes in industry, general market or economic conditions; and
- announcements of legislative or regulatory changes.

The stock market has experienced extreme price and volume fluctuations in recent years that have significantly affected the quoted prices of the securities of many companies, including companies in the staffing industry. The changes often appear to occur without regard to specific operating performance. The price of our common stock could fluctuate based upon factors that have little or nothing to do with us and these fluctuations could materially reduce our stock price.

Changes in economic conditions, including continuing effects from the recent recession, could materially affect our business, financial condition and results of operations.

Because our customers are retailers, we, together with the rest of the retail industry, depend upon consumer discretionary spending. The recent recession, coupled with high unemployment rates, reduced home values, increases in home foreclosures, investment losses, personal bankruptcies and reduced access to credit and reduced consumer confidence, has impacted consumers' ability and willingness to spend discretionary dollars. Economic conditions may remain volatile and may continue to repress consumer confidence and discretionary spending for the near term.

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Damage to our reputation or lack of acceptance of our brand in existing and new markets could negatively impact our business, financial condition and results of operations.

We believe we are building a strong reputation for the quality of our technology, and we must protect and grow the value of our brand to continue to be successful in the future. Any incident that erodes consumer affinity for our brand could significantly reduce its value and damage our business. If guests perceive or experience a reduction in quality, or in any way believe we failed to deliver a consistently positive experience, our brand value could suffer and our business may be adversely affected.

In addition, our ability to successfully develop new retailers in new markets may be adversely affected by a lack of awareness or acceptance of our brand in these new markets. To the extent that we are unable to foster name recognition and affinity for our brand in new markets, our growth may be significantly delayed or impaired.

As a result, adverse economic conditions in any of these areas could have a material adverse effect on our overall results of operations. In recent years, certain of these states have been more negatively impacted by the housing decline, high unemployment rates and the overall economic crisis than other geographic areas. In addition, given our geographic concentration, negative publicity regarding any of our retailers in these areas could have a material adverse effect on our business and operations, as could other regional occurrences such as local strikes, terrorist attacks, increases in energy prices, adverse weather conditions, hurricanes, droughts or other natural or man-made disasters.

In particular, adverse weather conditions can impact guest traffic at our retailers, and, in more severe cases, cause temporary retail closures, sometimes for prolonged periods. Our business is subject to seasonal fluctuations, with retail sales typically higher during certain months, such as December. Adverse weather conditions during our most favorable months or periods may exacerbate the effect of adverse weather on guest traffic and may cause fluctuations in our operating results from quarter-to-quarter within a fiscal year.

Technology changes rapidly in our business, and if we fail to anticipate new technologies, the quality, timeliness and competitiveness of our products will suffer.

Rapid technology changes require us to anticipate which technologies and/or distribution platforms our products must take advantage of in order to make them competitive in the market at the time they are released. Therefore, we usually start our product development with a range of technical development goals that we hope to be able to achieve. We may not be able to achieve these goals, or our competition may be able to achieve them more quickly than we can. In either case, our products may be technologically inferior to competitive products, or less appealing to consumers, or both. If we cannot achieve our technology goals within the original development schedule of our products, then we may delay products until these technology goals can be achieved, which may delay or reduce revenue and increase our development expenses.

We rely upon third parties to provide distribution for our applications, and disruption in these services could harm our business.

We currently utilize, and plan on continuing to utilize over the current fiscal year, third party networking providers and distribution through companies including, but not limited to Apple and Google to distribute our technologies. If disruptions or capacity constraints occur, the Company may have no means of replacing these services, on a timely basis or at all. This could cause a material adverse condition for our operations and financial earnings.

We are dependent upon technology services, and if we experience damage, service interruptions or failures in our computer and telecommunications systems, our customer relationships and our ability to attract new customers may be adversely affected.

Our business could be interrupted by damage to or disruption of our computer and software systems, and we may lose data. Our customers' businesses may be adversely affected by any system or equipment failure we experience. As a result of any of the foregoing, our relationships with our customers may be impaired, we may lose customers, our ability to attract new customers may be adversely affected and we could be exposed to contractual liability. Precautions in place to protect us from, or minimize the effect of, such events may not be adequate. If an interruption by damage to or disruption of our computer and telecommunications equipment and software systems occurs, we could be liable and the market perception of our services could be harmed.

We could be harmed by improper disclosure or loss of sensitive or confidential company, employee, associate or customer data, including personal data.

In connection with the operation of our business, we plan to store, process and transmit data, including personnel and payment information, about our employees, customers, associates and candidates, a portion of which is confidential and/or personally sensitive. Unauthorized disclosure or loss of sensitive or confidential data may occur through a variety of methods. These include, but are not limited to, systems failure, employee negligence, fraud or misappropriation, or unauthorized access to or through our information systems, whether by our employees or third parties, including a cyberattack by computer programmers, hackers, members of organized crime and/or state-sponsored organizations, who may develop and deploy viruses, worms or other malicious software programs.

Such disclosure, loss or breach could harm our reputation and subject us to government sanctions and liability under our contracts and laws that protect sensitive or personal data and confidential information, resulting in increased costs or loss of revenues. It is possible that security controls over sensitive or confidential data and other practices we and our third party vendors follow may not prevent the improper access to, disclosure of, or loss of such information. The potential risk of security breaches and cyberattacks may increase as we introduce new services and offerings, such as mobile technology. Further, data privacy is subject to frequently changing rules and regulations, which sometimes conflict among the various jurisdictions in which we provide services. Any failure or perceived failure

We might not be able to market our products.

We expend significant resources in our marketing efforts, using a variety of media, including social media venues. We expect to continue to conduct brand awareness programs and guest initiatives to attract and retain guests. These initiatives may not be successful, resulting in expenses incurred without the benefit of higher revenues. Additionally, some of our competitors have greater financial resources, which enable them to purchase significantly more advertising than we are able to purchase. Should our competitors increase spending on advertising and promotions or our advertising funds decrease for any reason, or should our advertising and promotions be less effective than our competitors, there could be a material adverse effect on our results of operations and financial condition.

Our business operations and future development could be significantly disrupted if we lose key members of our management team.

The success of our business continues to depend to a significant degree upon the continued contributions of our senior officers and key employees, both individually and as a group. Our future performance will be substantially dependent in particular on our ability to retain and motivate our Chief Executive Officer, and certain of our other senior executive officers. We currently do not have an employment agreement in place with these officers. The loss of the services of our CEO, senior officers or other key employees could have a material adverse effect on our business and plans for future development. We have no reason to believe that we will lose the services of any of these individuals in the foreseeable future; however, we currently have no effective replacement for any of these individuals due to their experience, reputation in the industry and special role in our operations. We also do not maintain any key man life insurance policies for any of our employees.

Our growth may strain our infrastructure and resources, which could slow our development of new retailers and adversely affect our ability to manage our existing retailers.

Our future growth may strain our retail management systems and resources, financial controls and information systems. Those demands on our infrastructure and resources may also adversely affect our ability to manage our existing retailers. If we fail to continue to improve our infrastructure or to manage other factors necessary for us to meet our expansion objectives, our operating results could be materially and adversely affected. Likewise, if sales decline, we may be unable to reduce our infrastructure quickly enough to prevent sales deleveraging, which would adversely affect our profitability.

Retailers have been the target of class-actions and other litigation alleging, among other things, violations of federal and state law.

Our customers are subject to a variety of lawsuits, administrative proceedings and claims that arise in the ordinary course of our business. In recent years, a number of retail companies have been subject to claims by guests, employees and others regarding issues such as safety, personal injury and premises liability, employment-related claims, harassment, discrimination, disability and other operational issues common to the retail industry. A number of these lawsuits have resulted in the payment of substantial damages by the defendants. We carry insurance programs with specific retention levels, for a significant portion of our risks and associated liabilities with respect to workers' compensation, general liability, employer's liability, health benefits and other insurable risks. The policy is limited to \$3 million. Regardless of whether any claims against us are valid or whether we are ultimately determined to be liable, we could also be adversely affected by negative publicity, litigation costs resulting from the defense of these claims and the diversion of time and resources from our operations.

Our insurance policies may not provide adequate levels of coverage against all claims, and fluctuating insurance requirements and costs could negatively impact our profitability.

We believe our insurance coverage is customary for businesses of our size and type. However, there are types of losses we may incur that cannot be insured against or that we believe are not commercially reasonable to insure. These losses, if they occur, could have a material and adverse effect on our business and results of operations. In addition, the cost of workers' compensation insurance, general liability insurance and directors and officers' liability insurance fluctuates based on our historical trends, market conditions and availability. Additionally, health insurance costs in general have risen significantly over the past few years and are expected to continue to increase. These increases, as well as recently-enacted federal legislation requiring employers to provide specified levels of health insurance to all employees, could have a negative impact on our profitability, and there can be no assurance that we will be able to successfully offset the effect of such increases with plan modifications and cost control measures, additional operating efficiencies or the pass-through of such increased costs to our guests.

We may not be able to adequately protect our intellectual property, which, in turn, could harm the value of our brands and adversely affect our business.

Our ability to implement our business plan successfully depends in part on our ability to further build brand recognition using our trademarks, service marks and other proprietary intellectual property, including our names and logos and the unique ambiance of our retailers. We plan to register a number of our trademarks. We cannot assure you that our trademark applications will be approved. Third parties may also oppose our trademark applications, or otherwise challenge our use of the trademarks. In the event that our trademarks are successfully challenged, we could be forced to rebrand our goods and services, which could result in loss of brand recognition, and could require us to devote resources to advertising and marketing new brands.

If our efforts to register, maintain and protect our intellectual property are inadequate, or if any third party misappropriates, dilutes or infringes on our intellectual property, the value of our brands may be harmed, which could have a material adverse effect on our business and might prevent our brands from achieving or maintaining market acceptance. We may also face the risk of claims that we have infringed third parties' intellectual property rights. If third parties claim that we infringe upon their intellectual property rights, our operating profits could be adversely affected. Any claims of intellectual property infringement, even those without merit, could be expensive and time consuming to defend, require us to rebrand our services, if feasible, divert management's attention and resources or require us to enter into royalty or licensing agreements in order to obtain the right to use a third party's intellectual property.

Any royalty or licensing agreements, if required, may not be available to us on acceptable terms or at all. A successful claim of infringement against us could result in our being required to pay significant damages, enter into costly license or royalty agreements, or stop the sale of certain products or services, any of which could have a negative impact on our operating profits and harm our future prospects.

Information technology system failures or breaches of our network security could interrupt our operations and adversely affect our business.

We will rely on our computer systems and network infrastructure across our operations. Our operations depend upon our ability to protect our computer equipment and systems against damage from physical theft, fire, power loss, telecommunications failure or other catastrophic events, as well as from internal and external security breaches, viruses, worms and other disruptive problems. Any damage or failure of our computer systems or network infrastructure that causes an interruption in our operations could have a material adverse effect on our business and subject us to litigation or actions by regulatory authorities. Although we employ both internal resources and external consultants to conduct auditing and testing for weaknesses in our systems, controls, firewalls and encryption and intend to maintain and upgrade our security technology and operational procedures to prevent such damage, breaches or other disruptive problems, there can be no assurance that these security measures will be successful.

We will incur increased costs and obligations as a result of being a public company in the United States.

We will incur significant legal, accounting and other expenses that were not required to incur in the recent past. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time consuming and costly. We estimate that we will incur additional incremental costs per year associated with being a publicly-traded company; however, it is possible that our actual incremental costs of being a publicly-traded company will be higher than we currently estimate. In estimating these costs, we took into account expenses related to insurance, legal, accounting and compliance activities.

Furthermore, the need to establish the corporate infrastructure demanded of a public company may divert management's attention from implementing our growth strategy, which could prevent us from improving our business, results of operations and financial condition. We have made, and will continue to make, changes to our internal controls and procedures for financial reporting and accounting systems to meet our reporting obligations as a publicly traded company. However, the measures we take may not be sufficient to satisfy our obligations as a publicly traded company.

Our compliance with complicated regulations concerning corporate governance and public disclosure has resulted in additional expenses. Moreover, our ability to comply with all applicable laws, rules and regulations is uncertain given our management's relative inexperience with operating public companies.

We are faced with expensive, complicated and evolving disclosure, governance and compliance laws, regulations and standards relating to corporate governance and public disclosure. New or changing laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity, and their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing compliance work.

Our failure to comply with all laws, rules and regulations applicable to U.S. public companies could subject us or our management to regulatory scrutiny or sanction, which could harm our reputation and stock price. Our efforts to comply with evolving laws, regulations and standards are likely to continue to result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

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Federal, state and local or Israeli tax rules may adversely impact our results of operations and financial position.

We are subject to federal, state and local taxes in the U.S., as well as local taxes in Israel in respect to our operations in Israel. Although we believe our tax estimates are reasonable, if the Internal Revenue Service ("IRS") or other taxing authority disagrees with the positions we have taken on our tax returns, we could face additional tax liability, including interest and penalties. If material, payment of such additional amounts upon final adjudication of any disputes could have a material impact on our results of operations and financial position. In addition, complying with new tax rules, laws or regulations could impact our financial condition, and increases to federal or state statutory tax rates and other changes in tax laws, rules or regulations may increase our effective tax rate. Any increase in our effective tax rate could have a material impact on our financial results.

We may require additional capital to finance our operations in the future, but that capital may not be available when it is needed and could be dilutive to existing stockholders.

We may require additional capital for future operations. We plan to finance anticipated ongoing expenses and capital requirements with funds generated from the following sources:

- cash provided by operating activities;
- available cash and cash investments; and
- capital raised through debt and equity offerings.

Current conditions in the capital markets are such that traditional sources of capital may not be available to us when needed or may be available only on unfavorable terms. Our ability to raise additional capital, if needed, will depend on conditions in the capital markets, economic conditions and a number of other factors, many of which are outside our control, and on our financial performance. Accordingly, we cannot assure you that we will be able to successfully raise additional capital at all or on terms that are acceptable to us. If we cannot raise additional capital when needed, it may have a material adverse effect on our liquidity, financial condition, results of operations and prospects. Further, if we raise capital by issuing stock, the holdings of our existing stockholders will be diluted.

If we raise capital by issuing debt securities, such debt securities would rank senior to our common stock upon our bankruptcy or liquidation. In addition, we may raise capital by issuing equity securities that may be senior to our common stock for the purposes of dividend and liquidating distributions, which may adversely affect the market price of our common stock. Finally, upon bankruptcy or liquidation, holders of our debt securities and shares of preferred stock and lenders with respect to other borrowings will receive a distribution of our available assets prior to the holders of our common stock. Additional equity offerings may dilute the holdings of our existing stockholders or reduce the market price of our common stock, or both.

Our business is dependent upon continued market acceptance by consumers.

We are substantially dependent on continued market acceptance of our products by customers, and such customers are dependent upon regulatory and legislative forces. We cannot predict the future growth rate and size of this market.

If we are able to expand our operations, we may be unable to successfully manage our future growth.

Since inception, we have been planning for the expansion of our brand. Any such growth could place increased strain on our management, operational, financial and other resources, and we will need to train, motivate, and manage employees, as well as attract management, sales, finance and accounting, international, technical, and other professionals. In addition, we will need to expand the scope of our infrastructure and our physical resources. Any failure to expand these areas and implement appropriate procedures and controls in an efficient manner and at a pace consistent with our business objectives could have a material adverse effect on our business and results of operations.

Any future or current litigation could have a material adverse impact on our results of operations, financial condition and liquidity.

From time to time we may be subject to litigation, including potential stockholder derivative actions. Risks associated with legal liability are difficult to assess and quantify, and their existence and magnitude can remain unknown for significant periods of time. To date we have obtained directors and officers liability ("D&O") insurance to cover some of the risk exposure for our directors and officers. Such insurance generally pays the expenses (including amounts paid to plaintiffs, fines, and expenses including attorneys' fees) of officers and directors who are the subject of a lawsuit as a result of their service to the Company. There can be no assurance that we will be able to continue to maintain this insurance at reasonable rates or at all, or in amounts adequate to cover such expenses should such a lawsuit occur. While neither Delaware law nor our Certificate of Incorporation or bylaws require us to indemnify or advance expenses to our officers and directors involved in such a legal action, we expect that we would do so to the extent permitted by Delaware law. Without D&O insurance, the amounts we would pay to indemnify our officers and directors should they be subject to legal action based on their service to the Company could have a material adverse effect on our financial condition, results of operations and liquidity.

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Our prior operating results may not be indicative of our future results.

You should not consider prior operating results to be indicative of our future operating results. The timing and amount of future revenues will depend almost entirely on our ability to open new retailers while maintaining consistency in our existing retail. Our future operating results will depend upon many other factors, including:

- the level of product and price competition,
- our success in expanding our business network and managing our growth,
- the ability to hire qualified employees, and
- the timing of such hiring and our ability to control costs.

Requirements associated with being a reporting public company will require significant company resources and management attention.

Once the registration statement is effective by the SEC, we will be subject to the reporting requirements of the Exchange Act and the other rules and regulations of the SEC relating to public companies. We are working with independent legal, accounting and financial advisors to identify those areas in which changes should be made to our financial and management control systems to manage our growth and our obligations as an SEC reporting company. These areas include corporate governance, internal control, internal audit, disclosure controls and procedures and financial reporting and accounting systems. We have made, and will continue to make, changes in these and other areas, including our internal control over financial reporting. However, we cannot assure you that these and other measures we may take will be sufficient to allow us to satisfy our obligations as an SEC reporting company on a timely basis.

In addition, compliance with reporting and other requirements applicable to SEC reporting companies will create additional costs for us, will require the time and attention of management and will require the hiring of additional personnel and legal, audit and other professionals. We cannot predict or estimate the amount of the additional costs we may incur, the timing of such costs or the impact that our management's attention to these matters will have on our business.

Our management controls a large block of our common stock that will allow them to control us.

As of the date of this prospectus, members of our management team beneficially own approximately 9.97% of our outstanding common stock. As such, management owns approximately 9.97% of our voting power. As a result, management may have the ability to control substantially all matters submitted to our stockholders for approval including:

- a) election of our board of directors;
- b) removal of any of our directors;
- c) amendment of our Certificate of Incorporation or bylaws; and
- d) adoption of measures that could delay or prevent a change in control or impede a merger, takeover or other business combination involving us.

In addition, management's stock ownership may discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us, which in turn could reduce our stock price or prevent our stockholders from realizing a premium over our stock price.

Any additional investors will own a minority percentage of our common stock and will have minority voting rights.

Risks Related to the Common Stock

Our stock price is likely to be extremely volatile and our common stock is not listed on a stock exchange; as a result, stockholders may not be able to resell their shares at or above the price paid for them.

The market price of our common stock is likely to be extremely volatile and could be subject to significant fluctuations due to changes in sentiment in the market regarding our operations or business prospects, among other factors.

Among the factors that could affect our stock price are:

- industry trends and the business success of our customers;
- actual or anticipated fluctuations in our quarterly financial and operating results that vary from the expectations of our management or of securities analysts and investors;
- our failure to meet the expectations of the investment community and changes in investment community recommendations or estimates of our future operating results;
- announcements of strategic developments, acquisitions, dispositions, financings, product developments and other materials events by us or our competitors;
- regulatory and legislative developments concerning our technology;
- litigation;
- general market conditions;
- other domestic and international macroeconomic factors unrelated to our performance; and
- additions or departures of key personnel.

Sales by our stockholders of a substantial number of shares of our common stock in the public market could adversely affect the market price of our common stock.

A substantial portion of our total outstanding shares of common stock may be sold into the market at any time. While most of these shares are held by our principal stockholder, who is also an executive officer, and we believe that such holder has no current intention to sell a significant number of shares of our stock, if he were to decide to sell large amounts of stock over a short period of time (presuming such sales were permitted, given his affiliate status) such sales could cause the market price of our common stock to drop significantly, even if our business is doing well.

Further, the market price of our common stock could decline as a result of the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and price that we deem appropriate.

Our preferred stock may have rights senior to those of our common stock which could adversely affect holders of common stock.

Although no preferred stock has been issued, Delaware law, and our Certificate of Incorporation give our Board of Directors the authority to issue additional series of preferred stock without a vote or action by our stockholders. The Board also has the authority to determine the terms of preferred stock, including price, preferences and voting rights. The rights granted to holders of preferred stock in the future may adversely affect the rights of holders of our common stock. Any such authorized class of preferred stock may have a liquidation preference – a pre-set distribution in the event of a liquidation – that would reduce the amount available for distribution to holders of common stock or superior dividend rights that would reduce the amount of dividends that could be distributed to common stockholders. In addition, an authorized class of preferred stock may have voting rights that are superior to the voting right of the holders of our common stock. Currently the Company has no issued or outstanding preferred stock.

We are a smaller reporting company and, as a result of the reduced disclosure and governance requirements applicable to such companies, our common stock may be less attractive to investors.

We are a smaller reporting company, (i.e. a company with less than \$75 million of its voting equity held by affiliates) and we are eligible to take advantage of certain exemptions from various reporting requirements applicable to other public companies. We have elected to adopt these reduced disclosure requirements. We cannot predict if investors will find our common stock less attractive as a result of our taking advantage of these exemptions. If some investors find our common stock less attractive as a result of our choices, there may be a less active trading market for our common stock and our stock price may be more volatile. There is currently no active market for our common stock.

We do not expect to pay any cash dividends in the foreseeable future.

We intend to retain our future earnings, if any, in order to reinvest in the development and growth of our business and, therefore, do not intend to pay dividends on our common stock for the foreseeable future. Any future determination to pay dividends will be at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements, and such other factors as our board of directors deems relevant. Accordingly, you may need to sell your shares of our common stock to realize a return on your investment, and you may not be able to sell your shares at or above the price you paid for them.

We can sell additional shares of common stock without consulting stockholders and without offering shares to existing stockholders, which would result in dilution of stockholders' interests in MY SIZE, INC. and could depress our stock price.

Our Certificate of Incorporation authorizes 50,000,000 shares of common stock, of which 17,605,359 are currently outstanding, and our Board of Directors is authorized to issue additional shares of our common stock and preferred stock. Although our Board of Directors intends to utilize its reasonable business judgment to fulfill its fiduciary obligations to our then existing stockholders in connection with any future issuance of our capital stock, the future issuance of additional shares of our common stock or preferred stock convertible into common stock would cause immediate, and potentially substantial, dilution to our existing stockholders, which could also have a material effect on the market value of the shares.

Further, our shares do not have preemptive rights, which means we can sell shares of our common stock to other persons without offering purchasers in this offering the right to purchase their proportionate share of such offered shares. Therefore, any additional sales of stock by us could dilute your ownership interest in our Company.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

This Form 10K contains certain forward- looking statements as defined by federal securities laws. For this purpose, forward- looking statements are any statements contained herein that are not statements of historical fact and include, but are not limited to, those preceded by or that include the words, “estimate”, “could”, “should”, “would”, “likely”, “may”, “will”, “plan”, “intend”, “believes”, “expects”, “anticipates”, “projected”, or similar expressions. Those statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those contemplated by such statements. The forward looking information is based on various factors and was derived using numerous assumptions. For these statements, we claim the protection of the “bespeaks caution” doctrine. Such forward-looking statements include, but are not limited to:

statements regarding our anticipated financial and operating results, including anticipated sources of revenues

when we expect to begin to receive revenues with respect to services we provide and anticipated;

when we expect to begin to receive revenues with respect to services we provide and anticipated

statement regarding anticipated future sources of revenues;

statement regarding management's expectation with respect to future acquisitions producing more significant revenues during the in the future;

statements regarding our goals, intensions, plans and expectations, including the introduction of new products and markets and locations we intend to target in the future;

statements regarding the anticipated timing and impact of our pending acquisitions;

statement regarding our expectation with respect to the potential issuance of stock or shares in connection

with our acquisitions or in connection with providing services to client companies.; and

statement with respect to having adequate liquidity.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

changes in the pace of environmental legislation;

other regulatory developments that could limit the market for our products and services;

our ability to successfully integrate acquired entities;

competitive developments, including the possibility of new entrants into our primary market;

the loss of key personnel; and

other risks discussed in this document.

All forward-looking statements in this document are based on information currently available to us as of the date of this Form 10 and we assume no obligation to update any forward-looking statements other than as required by law.

Item 1B - Unresolved Staff Comments

None

Item 2 - Properties

The company currently leases 2,454 square feet of office space at 3 Arava Street, Airport City, Israel at a cost of 27,000 NIS monthly. The lease began in September of 2015 and expires in August 2017.

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Item 3 - Legal Proceedings

1. On December 27, 2015, the Company received a legal complaint. The defendants are the Company, all the members of the Board of Directors, Mrs. Shoshana Zigdon, a shareholder and related party in the Company, as well as two additional defendants who are not shareholders, officers or directors of the Company. The plaintiff alleges that the Company violated its obligation to register his shares for trade with the Tel Aviv Stock Exchange causing a total of 2,622,500 NIS damage. The plaintiff seeks relief against the defendants through financial compensation at the rate of the aforementioned alleged damage; additional compensation of 400,000 NIS due to mental anguish; and if and to the extent that until the time the plaintiff can sell its shares on the Tel Aviv Stock Exchange ("the exercise date"), if the rate of a Company shares rises above the amount of 20.98 NIS ("the base rate"), an additional amount at the rate of the difference between the base rate and the highest rate of a Company share between the time the claim was submitted and the exercise date; and also court costs and attorney's fees of the plaintiff.

All pre-trial preliminary proceedings as well as submission of all evidentiary affidavits and expert opinions by both parties have been completed.

Pursuant to the Court's recommendation, the case was referred to mediation by the honorable Judge (Rtd.) Hilla Gerstel, former president of the Central District Court. The mediation is going on and the next mediation session is scheduled for May 4th, 2017.

The Company estimates, based on the opinion of its legal counsel that the risk of acceptance of the remedy requested by the plaintiff in his claim, namely, that the Company was obligated to remove the restriction which was imposed on the shares and register plaintiff's shares for trade on the stock exchange, exceeds the chance of its dismissal. This remedy, as such, does not constitute any financial exposure to the Company.

However, the company believes, based on the opinion of its legal counsel, that assuming the plaintiff's claim for the main relief, i.e. the removal of the restriction from and the registration of his shares on the stock exchange, will be accepted by the court, it appears that prima facie the risk that the court will also rule that the plaintiff is entitled to financial compensation for the alleged delay in registering his shares, exceeds the chance that such financial compensation will not be awarded.

According to the expert opinion submitted to the court by the plaintiff, the plaintiff's expert calculates the approximate damage allegedly caused to the plaintiff between 3-3.6 million NIS assuming the shares will be registered by December 31st, 2016, and additional compensation for each additional month subsequently. According to the Company's expert opinion submitted to the court, the Company's expert asserts that the plaintiff's expert opinion is erroneous and in his opinion and assuming the plaintiff's claim will be accepted by the court, than the estimated damage caused to the plaintiff as a result of a 4-5 years delay in registering his shares is estimated at approximately NIS 234,000 (plus interest and CPI differences) if it will be ruled that the restriction from plaintiff's shares should have been removed within six months as of the purchase date thereof and at approximately NIS 130,000 if it will be ruled that the restriction from plaintiff's shares should have been removed within twelve months as of the purchase day thereof. It should be noted that all experts' calculations are based on the share market price, and consequently any changes in the share price at the time a judgement will be rendered by the court, could increase or decrease the Company's exposure respectively.

2. On May 17, 2012, the Company signed an agreement for a convertible loan with a third party (hereinafter the "Investor"). In accordance with the loan agreement, the Company received a total of NIS 200,000 with the signing of the loan agreement and was to receive an additional amount of NIS 100,000 at the end of a period not exceeding 21 days, during which the investor would perform due diligence on the Company. In addition, the agreement was for additional investments up to a total of NIS 2,000,000.

Under the agreement, the Investor was entitled to convert the loan amounts granted to the Company into shares of common stock, at a price per share equal to the amount of NIS 0.97. If the loans were not converted into shares of common stock, the loan was to be repaid one year after the date of the loan agreement plus annual interest of 10%.

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On February 18, 2015, the Company received a claim of summary judgement for the investor's demand of payment of the loan amount of NIS 200,000, plus interest of 10% annually as from May 20, 2012 until payment of the debt, which as of the date of filing of the claim was NIS 258,000.

On June 13, 2016, a settlement agreement was entered into between the parties according to which in consideration for the final and conclusive annulment of all claims and/or demands raised by the Investor against the Company in the framework of the lawsuit, the Company would pay the Investor the sum of NIS 250,000 forthwith by wire transfer of about NIS 95,000 and by the forfeiture of the sum of about NIS 155,000 which had been deposited with the court. An additional amount of 50,000 NIS would be paid within the earlier of twelve months from the approval of the settlement agreement by the court or on the closing date of a public offering of Company shares on a stock exchange in the United States. As of the date of this Annual Report, we have not paid the NIS 50,000 that is owed to the Investor.

3. On September 9th, 2015, fourteen shareholders filed a complaint against the Company and its CEO Mr. Ronen Luzon, alleging that in accordance with agreements signed between plaintiffs and the Company, the plaintiffs are entitled to register their shares for sale with the stock market, while the Company allegedly breached its obligation and refrained from doing its duty to register the plaintiffs' shares. The plaintiffs seek declaratory remedy that they are entitled to register their shares and also request the right to split their remedies so they will also be able subsequently to claim from the defendants compensation for any financial damage caused by the Company's failure to register their shares, including damage due to any decrease in the shares' price

during the period the shares should have been registered. On November 5th, 2015, the Company filed its defense and a counter claim against the plaintiffs and against two additional defendants (who are not plaintiffs) Mr. Asher Shmuelevitch and Mr. Eitan Nahum. In its counter claim, the Company allege that the agreements by force of which the counter defendants hold their shares are defunct, based on fraud, as the counter defendants never paid and never intended to pay the agreed consideration for their shares. The Company further alleges the Mr. Shmuelevitch used his position as a director and controlling shareholder of the Company to knowingly cause the Company to enter such defunct agreements. The Company moved the court to dismiss the complaint against it, declare that all agreements with the counter defendants are null and void and that the shares should be returned to the Company. Additionally, the Company seeks financial compensation from the counter defendants for financial damage caused as a result of their actions. For the purpose of the trial charge only, the Company capped the requested compensation against counter defendants at NIS 10 million. All preliminary proceedings and hearing of all evidence by the court have been completed and the case awaits the court's judgement.

4. On January 16, 2014, the Company received from the legal counsel of one of its shareholders a demand letter for the payment of about \$1.4 million as compensation for alleged breaches by several parties, including the Company and its previous controlling shareholder (who is not the current controlling shareholder of the Company) of an allotment agreement between the Company and its previous controlling shareholder and shareholders of Metamorefix. The execution of the allotment agreement was completed in December 2011 and thereafter, in January 2013, the entire share capital of Metamorefix was sold by the Company.

A response letter was sent by the Company which stated that the Company did not consider itself as a party to the allegations which were raised in said letter and that in any event all such allegations were denied. The Company believes that the claim is without merit and the Company intends to vigorously defend the claim.

From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business. Other than described herein, we are not involved in, or the subject of, any pending legal proceedings or governmental actions the outcome of which, in management's opinion, would be material to our financial condition or results of operations.

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Item 4 - Mine Safety Disclosures

Not applicable.

Item 5 - Market For Common Stock, Dividend Policy Related Stockholder Matters

Our stock currently is listed on the Tel Aviv Stock Exchange and the NASDAQ Capital Market.

The following table shows the low and high share price on the Tel Aviv Stock Exchange during the quarterly periods beginning on the two years and four month period from January 2015 to April 2017.

Month	Low share price (NIS)	High share price (NIS)
April 1, 2017-April 12, 2017	8.15	10.09
January 2017-March 2017	7.30	25.00
October 2016-December 2016	7.29	11.50
July 2016-September 2016	6.20	19.15
April 2016-June 2016	12.13	25.00
January 2016-March 2016	11.60	18.45
October 2015-December 2015	14.60	21.00
July 2015-September 2015	12.90	22.88
April 2015-June 2015	8.48	13.60
January 2015-March 2015	4.50	9.99

The following table shows the low and high share price on the NASDAQ Capital Market during the quarterly periods beginning on July 25th, 2016, the date on which we began trading on the NASDAQ Capital Market.

Month	Low share price (USD)	High share price (USD)
April 1, 2017-April 12, 2017	2.10	2.71
January 2017-March 2017	1.95	16.70
October 2016-December 2016	5.25	5.45
July 25, 2016-September 2016	4.94	7.20

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As of April 5, 2017 we had 121 shareholders of record.

We have never declared or paid cash dividends on our common stock. We anticipate that in the future we will retain any earnings for operation of our business. Accordingly, we do not anticipate declaring or paying any cash dividends in the foreseeable future.

Dividend Policy

We have not declared or paid dividends on our common stock since our formation, and we do not anticipate paying dividends in the foreseeable future. Declaration or payment of dividends, if any, in the future, will be at the discretion of our Board of Directors and will depend on our then current financial condition, results of operations, capital requirements and other factors deemed relevant by the board of directors. There are no contractual restrictions on our ability to declare or pay dividends

Recent Sales of Unregistered Securities

Date	Security(****)	Total Investment Amount	Amount of Shares	Share price	Details
Feb. 2014	Common Stock	\$ 212,000(*)	7,436,273	\$ 0.03 (0.10 NIS) Per Share	Equity investment from 9 investors

Feb. 2014	Common Stock	\$ 98,000	3,457,800	\$ 0.03 (0.10 NIS) Per Share	Debt conversion.
July 2014	Common Stock	\$ 1,274,000(*)	2,601,250	2,156,250 Shares at \$0.47 (1.6 NIS) Per Share - and - 445,000 Shares at \$0.59 (2 NIS) Per Share	Equity investment from 28 investors
July 2014	Common Stock	\$ 83,000	190,625	\$0.44 (1.6 NIS) Per Share	Debt conversion
Apr. 2015	Convertible Loan and Warrants(**)	\$ 4,025,000	Convertible into 1,150,055 Shares -and- 1,150,055 warrants	Convertible Loan convertible into 1,150,055 Shares at a conversion price of \$3.5 per share. - and - 1,150,055 Warrants to Common stock with an exercise price of 18NIS per share.	Aggregate amount of \$4,025,000 from 6 Investors
Jan.-Feb. 2016	Convertible Loan and Warrants(**)(***)		Convertible into 985,712 Shares -and- 985,712 warrants(**)(***)	Convertible Loan convertible into 985,712 Shares at a conversion price of \$3.5 per share. - and - 985,712 Warrants to purchase Common stock with an exercise price 18NIS per share.	Aggregate amount of \$3,450,000 from 6 investors
March-May 2016	Convertible Loan and Warrants(**)(***)		Convertible into 301,427 Shares -and- 301,427 warrants(**)(***)	Convertible Loan convertible into 301,427 Shares at a conversion price of \$3.5 per share. - and - 301,427 Warrants to Common stock with an exercise price 18NIS per share.	Aggregate amount of \$1,055,000 from 4 investors

* Proceeds from stock issued to investors are presented in the Consolidated Statements of Changes in Stockholders' Equity (Deficiency) net of \$65,000 issuance costs.

** In the event that the Company becomes listed on a national securities exchange in the United States the outstanding amount of the notes shall be deemed to have been converted automatically into common stock of the Company.

*** On June 10, 2016, the Company was notified that its listing application on the NASDAQ Capital Market had been approved. Our shares of common stock began trading on July 25, 2016. Accordingly, the Company's convertible loans were converted into capital. On July 14, 2016, the Company's board of directors resolved to act according to the provisions of the convertible loan agreements which were signed by the Company and to carry out an automatic conversion of the loans into Company shares subject to its receipt of the consideration and the approvals required by law. Accordingly, after the reporting date, the Company actually issued the shares for the convertible loans the allotment of which had been approved by the stock exchange and the consideration for which had been received. As of December 31, 2016, the Company issued 2,091,566 shares for convertible loans received by it in the sum of \$7,320.

****All of the securities referenced were sold only to Non-US Persons in reliance on the exemption from registration contained in Regulation S.

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Item 6 - Selected Financial Data

The following table sets forth our selected consolidated financial data for the periods and as of the dates indicated. You should read the following selected consolidated financial data in conjunction with our audited consolidated financial statements and the related notes thereto included elsewhere in this Registration Statement on Form 10 and "—Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Year ended December 31,	
	2016 USD in thousands	2015 USD in thousands
<u>Operating expenses:</u>		
Research and development	727	301
Marketing, General and administrative	1,859	1,594
Total operating expenses	2,586	1,895
Operating loss	(2,586)	(1,895)
Financial expense, net	(1,748)	(1,542)
Other income	-	-
Net loss	(4,334)	(3,437)
<u>Other comprehensive loss :</u>		
Loss on available for sale securities	(24)	(69)
Adjustments arising from translating financial statements from functional currency to presentation currency	2	15
Total comprehensive loss	(4,356)	(3,491)
<u>Net basic and diluted income (loss) per share</u>		
Basic and diluted loss per share	0.27	0.22
<u>Weighted average number of common stock used in computing basic and diluted net loss per share</u>		
	16,345,499	15,313,793
December 31,		
2016 2015		
USD in thousands		

Statement of financial position

Cash and cash equivalents	34	919
Restricted cash	62	62
Other accounts receivable	1,401	124
Investment in marketable securities	579	1,808
Put Options – DIMN shares	-	764
Property and equipment, net	74	61
Total assets	2,150	3,738
Short-term convertible loans	-	3,470
Trade payable	229	141
Accounts payables	316	52
Derivative liabilities	80	-
Derivative liabilities - embedded conversion options	-	1,239
Warrants to purchase Common stock	-	1,449
Total liabilities	625	6,351
Total shareholders' equity (deficiency)	1,525	(2,613)
Total liabilities and stockholders' equity	2,150	3,738

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Item 7 - Management Discussion and Analysis of Financial Conditions and Result of Operations

You should read the following discussion along with our financial statements and the related notes included in this prospectus. The following discussion contains forward-looking statements that are subject to risks, uncertainties and assumptions, including those discussed under "Risk Factors.". Our actual results, performance and achievements may differ materially from those expressed in, or implied by, these forward-looking statements. See "Special Note About Forward-Looking Statements.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015**Research and Development Expenses**

Our research and development expenses for the year ended December 31, 2016 amounted to \$727,000 compared to \$301,000 for the year ended December 31, 2015. The increase primarily results from the continuing subcontractors expenses due to the increase in research activity and investment in the development of the Company's various products and for the increased expenses associated with the hiring of new employees. The company expects that research & development expenses will continue to grow in 2017 and that the company will recruit additional employees.

Marketing, General and Administrative Expenses

Our marketing, general and administrative expenses for the year ended December 31, 2016 amounted to \$1,859,000 compared to \$1,594,000 for the year ended December 31, 2015. The increase primarily results from increases in the Company's operating activity. During 2016, the Company had expenses of about \$200,000 with respect to its listing on the NASDAQ Capital Market, including consulting and other fees, compared to 2015. Another reason for the increase in general and administrative expenses is due to the Company's engagement with additional suppliers and an investment in public and investor relations. During 2016, the Company had income of \$33,000 in respect of share-based payments, compared to an expense of \$400,000 in 2015.

Financial Expenses, net

Our financial expenses for the year ended December 31, 2016 amounted to \$1,748,000 compared to \$1,542,000 for the year ended December 31, 2015. The Company had financial expenses in 2015 and 2016 mainly due to the creation and revaluation of the components of options, derivatives and marketable securities. The Company has immaterial expenses for rate of exchange differentials and bank charges.

During 2016, the Company had financing expenses of \$776,000 deriving from the expiration of put options on the DIMN shares, compared with financing income of \$768,000 in respect of the revaluation of these same options in 2015. During 2016, the Company had expenses with respect of a decline in the value of DIMN share in the amount of \$1,233,000, compared with no expense in 2015.

During 2016, the Company had financing income of \$726,000 deriving from the revaluation of derivatives and changing value of warrants, compared with financing income of \$1,353,000 in respect of the revaluation of derivatives and changing value of these warrants in 2015.

Net Loss

As a result of the foregoing research and development, marketing general and administrative expenses, and as we have yet to generate revenues, our net loss for the year ended December 31, 2016 was \$4,334,000, compared to our net loss for the year ended December 31, 2015 of \$3,437,000. The net loss in 2016 compared to 2015 primarily resulted from our new operating activity which is focused on development of our products and marketing activities as described above.

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Liquidity and Capital Resources

Since our inception, we have funded our operations primarily through private offerings of our equity securities in Israel.

As of December 31, 2016, the Company entered into fund raising agreements in a total sum of \$7,815,000 out of which the sum of \$3,247,000 and \$1,410,500 was received in cash and marketable securities, respectively. The marketable securities are shares of common stock of Diamante Minerals, Inc. ("DIMN"), which are presented in the Company's balance sheet as a financial asset available for sale.

As of the date of the report the Company has \$2,663,000 and \$495,000 in guarantee notes and checks, respectively. The guarantee has been provided by an ungraded financial institution. Subsequent to December 31, 2016, a sum of \$1,299,000 and \$40,000 of the guarantee notes and the checks, respectively, have been redeemed in cash.

For the purpose of financing its operating activities in the foreseeable future, the Company will rely on the collection of existing cash commitments from investors, the sale of marketable securities and raising additional funds. The Company estimates that the committed investments will be adequate to fund its operations through the 12 months following the approval date of the financial statements. The Company fully expects to continue to collect on the committed investments however; the failure to collect these funds could give rise in the future to a situation regarding the Company's ability to continue its operation as a going concern.

The financial statements include no adjustments for measurement or presentation of assets and liabilities, which may be required should the Company fail to operate as a going concern.

As of December 31, 2016, we had cash and cash equivalents of \$34,000 as compared to \$919,000 as of December 31, 2015. This decrease is due primarily from the operating expenses for the period.

As of the date of the report the company has \$2,663,000 and \$495,000 in guarantee notes and checks, respectively. The guarantee has been provided by an ungraded financial institution. Subsequent to December 31, 2016, a sum of \$1,299,000 and \$40,000 of the guarantee notes and the checks, respectively, have been redeemed for cash.

Net cash used in operating activities was \$2,159,000 for the year ended December 31, 2016, compared with net cash used in operating activities of \$1,439,000 for the year ended December 31, 2015.

The increase in cash used in operating activities derives from increased payments to service providers and Company employees. The Company had expenses not in the ordinary course of business mainly from the registration process of patents, the listing of our common stock on Nasdaq and legal expenses associated with lawsuits involving the Company.

Net cash used in investing activities for the year ended December 31, 2016, was \$36,000 compared with net cash used in operating activities of \$47,000 for the year ended December 31, 2015 and primarily reflects purchase of property and equipment.

We had positive cash flow from financing activities of \$1,314,000 for the year ended December 31, 2016 as compared to positive cash flow of \$1,763,000 for the year ended December 31, 2015. The cash flow from financing activities for the year ended December 31, 2016 and 2015 was due to the sale of stock and proceeds from convertible notes and issuance of warrants.

As mentioned at the beginning of the paragraph, the Company has checks and guarantee notes to be collected at the beginning of 2017, so that they will be reflected in investing activities in 2017.

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Application of Critical Accounting Policies and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which we have prepared in accordance with U.S. generally accepted accounting principles issued by the FASB. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported expenses during the reporting periods. Actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are more fully described in the notes to our financial statements appearing elsewhere in this prospectus, we believe that the accounting policies discussed below are critical to our financial results and to the understanding of our past and future performance, as these policies relate to the more significant areas involving management's estimates and assumptions. We consider an accounting estimate to be critical if: (1) it requires us to make assumptions because information was not available at the time or it included matters that were highly uncertain at the time we were making our estimate; and (2) changes in the estimate could have a material impact on our financial condition or results of operations.

Research and development expenses

Research expenses are recognized as expenses when incurred. Costs incurred on development projects are recognized as intangible assets as of the date as of which it can be established that it is probable that future economic benefits attributable to the asset will flow to us considering its commercial feasibility. This is generally the case when regulatory approval for commercialization is achieved and costs can be measured reliably. Given the current stage of the development of our products, no development expenditures have yet been capitalized. Intellectual property-related costs for patents are part of the expenditure for the research and development projects. Therefore, registration costs for patents are expensed when incurred as long as the research and development project concerned does not meet the criteria for capitalization.

Equity-based compensation

The Company accounts for stock-based compensation in accordance with ASC 718, "Compensation-Stock Compensation" ("ASC 718") which 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 statements of operations.

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The Company recognizes compensation expenses for the value of its awards granted based on the accelerated method over the requisite service period of each of the awards, net of estimated forfeitures. ASC 718 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 selected the Binomial option pricing model ("the Binomial model") as the most appropriate fair value method for its stock-options awards. The Binomial model requires a number of assumptions, of which the most significant are the suboptimal exercise factor and expected stock price volatility. The suboptimal exercise factor is estimated based on employees' historical option exercise behavior.

The suboptimal exercise factor is the ratio by which the stock price must increase over the exercise price before employees are expected to exercise their stock options.

The expected volatility of the share prices reflects the assumption that the historical volatility of the share prices is reasonably indicative of expected future trends.

The expected option term represents the period that the Company's stock options are expected to be outstanding. The Company currently uses simplified method until sufficient historical exercise data will support using expected life assumptions. The risk-free interest rate is based on the yield from Israel treasury zero-coupon bonds with an equivalent term.

The Company has historically not paid dividends and has no foreseeable plans to pay dividends.

The Company applies ASC 505-50, "Equity-Based Payments to Non-Employees" with respect to options and warrants issued to non-employees.

If any of the assumptions used in the binomial model change significantly, equity-based compensation for future awards may differ materially compared with the awards granted previously.

Convertible promissory notes:

The Company applies ASC 470-20, "Debt with Conversion and Other Options" ("ASC 470-20"). Under the guidelines of ASC 470-20, the Company measures and recognizes the beneficial conversion feature on the commitment date. The beneficial conversion feature is measured by allocating a portion of the proceeds equal to the intrinsic value of the feature to additional paid-in-capital. The intrinsic value of the feature is calculated on the commitment date using the conversion price. This intrinsic value is limited to the portion of the proceeds allocated to the convertible debt.

The Company applied ASC 470-20 and ASC 815 to the Convertible promissory notes.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Smaller reporting companies are not required to provide the information required by this item.

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Item 8 - Financial Statements and Supplementary Data

MY SIZE INC. AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2016
U.S. DOLLARS IN THOUSANDS
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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
of My Size Inc.:

We have audited the accompanying consolidated balance sheet of My Size Inc. and subsidiaries as of December 31, 2016, and the related consolidated statements of comprehensive loss, shareholders' equity (deficiency), and cash flows for the year ended December 31, 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of My Size Inc. and subsidiaries as of December 31, 2016, and the results of their operations and their cash flows for the year ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

Somekh Chaikin
Certified Public Accountants (Isr.)
Member Firm of KPMG International
Tel Aviv, Israel
April 14, 2017

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
of My Size Inc.:

We have audited the accompanying balance sheet of My Size Inc. as of December 31, 2015, and the related statements of comprehensive loss, stockholders' equity,

and cash flows for the year then ended. 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 audit.

We conducted our audit in accordance with standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 My Size Inc. as of December 31, 2015, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Respectfully submitted,

Weinberg & Baer LLC
Baltimore, Maryland
March 1, 2016, except for Note 1c, as to which the date is March 27, 2016.

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MY SIZE INC. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands (except share data)

	Note	December 31,	
		2016	2015
Assets			
Current Assets:			
Cash and cash equivalents		34	919
Other receivables and prepaid expenses	3	1,401	124
Investment in marketable securities	6	-	1,808
Put Options – DIMN shares	6	-	764
Restricted cash		62	62
Total current assets		1,497	3,677
Property and equipment, net	4	74	61
Investment in marketable securities	6	579	-
		653	61
Total assets		2,150	3,738
Liabilities and stockholders' equity			
Current liabilities			
Short-term convertible loans	9	-	3,470
Trade payables		229	141
Accounts payable		316	52
Derivative liabilities	6	80	-
Derivative liabilities - embedded conversion options	6	-	1,239
Warrants to purchase common stock	6	-	1,449
Total current liabilities		625	6,351
COMMITMENT AND CONTINGENT	10		
STOCKHOLDERS' EQUITY (DEFICIENCY)	8		
Stock capital -			
Common stock of \$ 0.001 par value - Authorized: 50,000,000 shares; Issued and outstanding: 17,405,359 and 15,313,793, respectively		17	15
Additional paid-in capital		13,347	4,855
Available for sale reserve		(93)	(69)
Accumulated other comprehensive loss		(102)	(104)
Accumulated deficit		(11,644)	(7,310)
Total stockholders' equity (deficiency)		1,525	(2,613)
Total liabilities and stockholders' equity		2,150	3,738

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

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MY SIZE INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

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

	Note	Year ended December 31,	
		2016	2015
Operating expenses			
Research and development		(727)	(301)
Marketing, general and administrative	11	(1,859)	(1,594)
Total operating expenses		(2,586)	(1,895)
Operating loss		(2,586)	(1,895)
Financial expense, net	12	(1,748)	(1,542)
Net loss		(4,334)	(3,437)
Other comprehensive loss:			
Loss on available for sale securities		(24)	(69)
Foreign currency translation differences		2	15
Total comprehensive loss		(4,356)	(3,491)
Basic and diluted loss per share		(0.27)	(0.22)
Basic and diluted weighted average number shares outstanding		16,345,499	15,313,793

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

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MY SIZE INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIENCY)

U.S. dollars in thousands (except share data)

	Common stock		Additional paid-in capital	Available for sale	Foreign currency transaction	Accumulated Deficit	Total stockholders' equity (deficiency)
	Number	Amount					
Balance as of January 1, 2015	15,313,793	15	4,455	-	(119)	(3,873)	478
Stock-based compensation related to options granted to consultants	-	-	400	-	-	-	400
Total comprehensive loss	-	-	-	(69)	15	(3,437)	(3,491)
Balance as of December 31, 2015	15,313,793	15	4,855	(69)	(104)	(7,310)	(2,613)
Stock-based compensation related to options granted -to consultants	-	-	(23)	-	-	-	(23)
Total comprehensive loss	-	-	-	(24)	2	(4,334)	(4,356)
Convertible loans converted to equity	2,091,566	2	7,528	-	-	-	7,530
Warrants reclassified to equity as a result of amended exercise price currency	-	-	987	-	-	-	987
Balance as of December 31, 2016	17,405,359	17	13,347	(93)	(102)	(11,644)	1,525

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

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MY SIZE INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,	
	2016	2015
<u>Cash flows from operating activities:</u>		
Net loss	(4,334)	(3,437)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	24	8
Amortization of warrant, convertible loans and Derivative	(182)	2,341
Revaluation PUT Option	776	(768)
Revaluation investment in marketable securities	1,233	-

Stock based compensation	(23)	398
Decrease (increase) in other receivables and prepaid expenses	(27)	17
Increase in Embedded Derivative	80	-
Increase (Decrease) in trade payable	86	(44)
Increase in other accounts payable	208	46
Net cash used in operating activities	(2,159)	(1,439)
Cash flows from investing activities:		
Purchase of property and equipment	(36)	(47)
Net cash used in investing activities	(36)	(47)
Cash flows from financing activities:		
Proceeds from convertible loan and warrants	1,339	1,888
Payment for a loan	(25)	-
Repayment of convertible loan	-	(125)
Net cash from financing activities	1,314	1,763
Effect of exchange rate fluctuations on cash and cash equivalents	(4)	(3)
Increase (decrease) in cash and cash equivalents	(885)	274
Cash and cash equivalents at the beginning of the year	919	645
Cash and cash equivalents at the end of the year	34	919
Non cash activities :		
Marketable securities received upon the issuance of convertible debt	-	2,120
Warrants reclassified to equity as a result of amended exercise price currency	987	-
Conversation of loan to equity	4,846	-

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

MY SIZE INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 1 - GENERAL

- a. My Size Inc. (along with its subsidiaries, the “Company”) is developing unique measurement technologies based on algorithms with applications in a variety of areas, from the apparel e-commerce market, to the courier services market and to the Do It Yourself (DIY) smartphone and tablet apps market. The technology is driven by several patent-pending algorithms which are able to calculate and record measurements in a variety of novel ways.

My Size Inc., was incorporated and commenced operations in September 1999, as Topspin Medical Inc. (“Topspin”), a private company registered in the State of Delaware. Topspin was engaged, through its Israeli subsidiary, in research and development in the field of cardiology and urology.

Beginning on September 1, 2005, the Company has traded on the Tel Aviv Stock Exchange.

During 2008, in light of the Company’s cash flow shortage, the Company discontinued its operations in the cardiology and urology field and soon after dismissed all of its employees. From 2011-2013, the Company engaged in developing solutions for tissue restoration through a subsidiary was sold in the end of 2013.

In December 2013, the Company changed its name from Topspin Medical Inc. to Knowledgetree Ventures Inc., and on February 16, 2014 the Company changed its name to My Size Inc.

In February 2014, the Company established a wholly-owned subsidiary, My Size (Israel) 2014 Ltd., a company registered in Israel, which is currently engaged in the development of the Venture described below.

- b. On January 9, 2014, at the Company’s General Meeting, the shareholders approved an engagement with one of the Company’s investors (the “Seller”) for the purchase of rights in a Venture (the “Venture”), including the rights to the method and the certain patent application that had been filed by the Seller (the “Assets”). The Venture relates to the development of technologies and applications which will assist the consumer to accurately take the measurements of his own body using a mobile device in order to fit clothing in the best way possible without the need to try on the clothing.

In return for purchasing an interest in the Venture, the Company shall undertake to pay the Seller 18% of the Company’s operating profit, direct or indirect, connected to the Venture for a period of 7 years starting from the end of the Venture’s development period.

As part of the agreement, the Seller received an option to buy back the Assets for consideration which will reflect the market fair value at that time, on the occurrence of the following events: a) if a motion has been filed to liquidate the Company; b) If 7 years after signing the agreement, the Company’s total accumulated revenues, direct or indirect, from the Venture or the commercialization of the patent will be lower than NIS 3.6 million.

In such an event, Seller may repurchase the interest in the Venture at a market price to be determined by an independent third party valuation consultant, who shall be chosen by agreement by the parties, and the audit committee shall conduct the negotiations on behalf of the Company to determine the identity of the consultant.

- c. During the reported years, the Company has incurred losses and negative cash flows from operations and the accumulated loss has reached \$11.7

million. The Company has financed its operations mainly through fundraising from private investors.

As of December 31, 2016, the Company entered into fund raising agreements in a total sum of \$7,815, out of which the sum of \$3,247 and \$1,410 was received in cash and marketable securities, respectively. The marketable securities are shares of common stock of Diamante Minerals, Inc. ("DIMN"), which are presented in the Company's balance sheet as a financial asset available for sale.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 1 - GENERAL (Cont.)

As of the date of the report, the Company has \$2,663 and \$495 in guarantee notes and checks, respectively. The guarantee has been provided by an ungraded financial institution. Subsequent to December 31, 2016, a sum of \$1,299 and \$40 of the guarantee notes and the checks, respectively, have been redeemed in cash.

For the purpose of financing its operating activities in the foreseeable future, the Company will rely on the collection of existing cash commitments from investors, the sale of marketable securities and raising additional funds. The Company estimates that the committed investments will be adequate to fund its operations through the 12 months following the approval date of the financial statements. The Company fully expects to continue to collect on the committed investments however; the failure to collect these funds could give rise in the future to a situation regarding the Company's ability to continue its operation as a going concern. The financial statements include no adjustments for measurement or presentation of assets and liabilities, which may be required should the Company fail to operate as a going concern.

- d. The Company operates in one reportable segment and all of its long-lived assets are located in Israel.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP").

- a. Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

- b. Financial statements in U.S. dollars:

The presentation currency of the financial statements is the U.S. dollar.

The majority of the Company and its subsidiaries expenses are denominated in New Israeli Shekel ("NIS"). Therefore, the Company's management believes that the currency of the primary economic environment in which the operations of the Company and its subsidiaries are conducted is the NIS and thus its functional currency. The financial statements are translated as follows:

1. Assets and liabilities at the end of each reporting period (including comparative data) are translated at the closing rate at the end of the reporting period.
2. Income and expenses for each period included in profit or loss (including comparative data) are translated at average exchange rates for the relevant periods; however, if exchange rates fluctuate significantly, income and expenses are translated at the exchange rates at the date of the transactions.
3. Stock capital, capital reserves and other changes in capital are translated at the exchange rate prevailing at the date of incurrence.
4. Accumulated deficit is translated based on the opening balance translated at the exchange rate at that date and other relevant transactions during the year are translated as described in 2) and 3) above.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

5. All resulting translation adjustments are recognized as a separate component of accumulated other comprehensive loss in equity.

- c. Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation.

- d. Cash equivalents:

Cash equivalents are short-term highly liquid investments that are readily convertible to cash with original maturities of three months or less at the date acquired.

- e. Property and equipment:

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, at the following annual rates:

	%
Computers and peripheral equipment	33
Office furniture and equipment	7
Leasehold improvements	Over the term of the lease or the useful life of the improvements, whichever is shorter

f. Impairment of long-lived assets:

The Company's property and equipment are reviewed for impairment in accordance with ASC 360, "Property Plant and Equipment", whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets 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 assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less selling costs. During the periods ended December 31, 2016 and 2015, no impairment losses have been recorded.

g. Severance pay:

The Company's liability for severance pay is covered by Section 14 of the Israeli Severance Pay Law ("Section 14"). Under Section 14, employees in Israel are entitled to have monthly deposits, at a rate of 8.33% of their monthly salary, made on their behalf to their insurance funds. Payments in accordance with Section 14 release the Company from the liability for any future severance payments in respect of those employees. As a result, the Company does not recognize any liability for severance pay due to these employees and the deposits under Section 14 are not recorded as an asset in the Company's balance sheet. These contributions for compensation represent defined contribution plans.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

h. Research and development costs:

Research and development costs are charged to the statement of operations, as incurred. Most of the research and development expenses are for wages and subcontractors.

i. Income taxes:

The Company accounts for income taxes in accordance with ASC 740, "Income Taxes". This Statement prescribes the use of the liability method whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance, if necessary, to reduce deferred tax assets to the amount more likely than not to be realized. As of December 31, 2016 and 2015, a full valuation allowance was provided by the Company.

The Company implements a two-step approach to recognize and measure the benefit of its 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 greater than 50 percent (cumulative basis) likely to be realized upon settlement. The Company believes that its tax positions are all highly certain of being upheld upon examination. As such, as of December 31, 2016 and 2015 the Company has not recorded a liability for unrecognized tax benefits.

j. Accounting for stock-based compensation:

The Company accounts for stock compensation arrangements with non-employees in accordance with ASC 505 which require that such equity instruments are recorded at their fair value on the measurement date. The measurement of stock-based compensation is subject to periodic adjustment as the underlying equity instruments vest. Non-employee stock-based compensation charges are amortized over the vesting period on a straight-line basis. For stock options granted to non-employees, the fair value of the stock options is estimated using a Black-Scholes valuation model.

The expected volatility of the share prices reflects the assumption that the historical volatility of the share prices is reasonably indicative of expected future trends.

The risk-free interest rate is based on the yield from Israel treasury zero-coupon bonds with an equivalent term.

The Company has historically not paid dividends and has no foreseeable plans to pay dividends.

k. Fair value of financial instruments:

ASC 820, "Fair Value Measurements and Disclosures", defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

- Level 1 - Valuations based on quoted prices in active markets for identical assets that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The expected volatility of the share prices reflects the assumption that the historical volatility of the share prices is reasonably indicative of expected future trends.

The carrying amounts of cash and cash equivalents, other accounts receivable, short-term loan, accounts payable and other accounts payable approximate their fair value due to the short-term maturities of such instruments.

The Company holds shares in a publicly-traded company – Diamante Minerals, Inc. which are classified as available-for-sale equity securities. The marketable securities have readily determinable fair market values that are calculated based on the share price in the measurement date and ranked as Level 1 assets.

l. Convertible promissory notes:

The Company applied ASC 470-20 and ASC 815 to the convertible promissory notes.

m. Basic and diluted net loss per share:

Basic net loss per share is computed based on the weighted average number of Common stock outstanding during each year. Diluted net income per share is computed based on the weighted average number of shares of Common stock outstanding during each year plus dilutive potential equivalent Common stock considered outstanding during the year, in accordance with ASC 260, "Earnings per Share". For the years ended December 31, 2016 and 2015 all outstanding options and warrants have been excluded from the calculation of the diluted net loss per share since their effect was anti-dilutive.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

n. Concentrations of credit risk:

Financial instruments that potentially subject the Company and its subsidiaries to concentrations of credit risk consist principally of cash and cash equivalents.

Cash and cash equivalents are invested in major banks in Israel. Such deposits in Israel may be in excess of insured limits and are not insured in other jurisdictions. Management believes that the financial institutions that hold the Company's investments are financially sound and, accordingly, minimal credit risk exists with respect to these investments.

The Company and its subsidiaries have no off-balance-sheet concentration of credit risk such as foreign exchange contracts, option contracts or other foreign hedging arrangements.

o. Impact of recently issued accounting standard:

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, "Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" ("ASU 2014-15"). ASU 2014-15 requires management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for a period of one year after the date that the financial statements are issued. If such conditions or events exist, an entity should disclose that there is substantial doubt about the entity's ability to continue as a going concern for a period of one year after the date that the financial statements are issued. Disclosure should include the principal conditions or events that raise substantial doubt, management's evaluation of the significance of those conditions or events in relation to the entity's ability to meet its obligations, and management's plans that are intended to mitigate those conditions or events. ASU 2014-15 will be effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. The impact of the new standard on the company is not expected to be material.

p. Impact of recently issued accounting standard not yet adopted:

In January 2016, the FASB issued Accounting Standards Update No. 2016-01 (ASU 2016-01) "Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." ASU 2016-01 amends various aspects of the recognition, measurement, presentation, and disclosure for financial instruments. With respect to our consolidated financial statements, the most significant impact relates to the recognition and measurement for equity investments. Additionally, ASU 2016-01 will impact the disclosure and presentation of financial assets and liabilities. ASU 2016-01 is effective for annual reporting periods, and interim periods within those years beginning after December 15, 2017. Early adoption by public entities is permitted only for certain provisions. The Company is examining the effects of the update on the financial statements with no plans for early adoption.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 (ASU 2016-02) which amends the FASB Accounting Standards Codification and created Topic 842, "Leases." Under Topic 842, lessees are required to recognize assets and liabilities on the balance sheet for most leases and provides for enhanced disclosures. Leases will continue to be classified as either finance or operating. ASU 2016-02 is effective for annual reporting periods, and interim periods within those years beginning after December 15, 2018. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. Full retrospective application is prohibited and early adoption by public entities is permitted. The Company is examining the possibility of early adoption of the update and the anticipated effects of its adoption on the financial statements.

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MY SIZE INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

On March 30, 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, which is intended to improve the accounting for share-based payment transactions as part of the FASB's simplification initiative. This ASU is effective for annual and interim periods in fiscal years beginning after December 15, 2016. Early adoption is permitted in any interim or annual period provided that the entire ASU is adopted.

The impact of adopting the new standard on the operating income is not expected to be material.

In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments, which significantly changes the way entities recognize impairment of many financial assets by requiring immediate recognition of estimated credit losses expected to occur over their remaining life. This ASU is effective for annual and interim periods in fiscal years beginning after December 15, 2019. Early adoption is permitted for annual and interim periods in fiscal years beginning after December 15, 2018. The impact of adopting the new standard on the net income is not expected to be material.

q. Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

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MY SIZE INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 3 - OTHER ACCOUNTS RECEIVABLE

	December 31,	
	2016	2015
Prepaid expenses and deferred cost	19	8
Government authorities	24	26
Receivable on account of shares	1,339*	-
other	19	90
	<u>1,401</u>	<u>124</u>

* The Company received the money up to the date of signing the financial statements, see note 1 C.

NOTE 4 - PROPERTY AND EQUIPMENT, NET

	Computers and peripheral equipment	Office furniture and equipment	Leasehold improvements	Total
	Cost			
Balance as at January 1, 2015	5	5	15	25
Additions	38	8	-	46
Balance as at December 31, 2015	<u>43</u>	<u>13</u>	<u>15</u>	<u>71</u>
Balance as at January 1, 2016	43	13	15	71
Additions	31	5	-	36
Balance as at December 31, 2016	<u>74</u>	<u>18</u>	<u>15</u>	<u>107</u>
	Computers and peripheral equipment	Office furniture and equipment	Leasehold improvements	Total
Depreciation				
Balance as at January 1, 2015	*	*	*	1
Additions	7	1	1	9
Balance as at December 31, 2015	<u>7</u>	<u>1</u>	<u>2</u>	<u>10</u>

Balance as at January 1, 2016	7	1	2	10
Additions	21	1	1	23
Balance as at December 31, 2016	28	2	3	33

* Represent an amount less than \$1.

Carrying amounts

As at December 31, 2015	36	12	13	61
As at December 31, 2016	46	16	12	74

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MY SIZE INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 5 - RELATED PARTY TRANSACTIONS

A. Balances with related parties:

The following related party payables are included in trade payable and accounts payable.

	December 31	
	2016	2015
Officers (*)	61	8
Directors	23	44
Monkeytech (**)	21	-
	105	52

(*) The amount includes the net salary payable without the related expenses.

(**) The company Chief Technology Officer, Oded Shoshan, is compensated pursuant to a technology consulting agreement between the Company and Monkeytech Ltd. Mr. Shoshan is the chief executive officer and one of the owners of Monkeytech.

B. Controlling shareholder benefits:

	December 31	
	2016	2015
Salaries and related expenses	311	167
Directors	49	65
R&D expenses to subcontractor	118	82
	478	314

NOTE 6 - FINANCIAL INSTRUMENTS

The following tables presents our significant assets and liabilities that are measured at fair value on recurring basis and their classification within the fair value hierarchy:

	December 31, 2016		
	Fair value hierarchy		
	Level 1	Level 2	Level 3
Financial assets			
Investment in marketable securities	579	-	-

	December 31, 2016		
	Fair value hierarchy		
	Level 1	Level 2	Level 3
Financial liabilities			
Derivative liabilities	-	80	-

	December 31, 2015		
	Fair value hierarchy		
	Level 1	Level 2	Level 3
Financial assets			
Investment in marketable securities	1,808	-	-
Put Options – DIMN shares	-	764	-

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MY SIZE INC. AND ITS SUBSIDIARIES

NOTE 6 - FINANCIAL INSTRUMENTS (Cont.)

	December 31, 2015		
	Fair value hierarchy		
	Level 1	Level 2	Level 3
Financial liabilities			
Warrants	-	1,449	-
Derivative liabilities embedded conversion options	-	1,239	-

The carrying amounts of cash and cash equivalents, other accounts receivable, short-term loan, accounts payable and other accounts payable approximate their fair value due to the short-term maturities of such instruments.

At December 31, 2016, gross unrecognized loss, recognized loss and fair value (based on quoted market prices) of these securities were \$24, \$1,233 and \$579, respectively (At December 31, 2015 \$69, \$0 and \$1,808, respectively)

NOTE 7 - TAXES ON INCOME

- a. At December 31, 2016, the Company had U.S. federal net operating loss (“NOL”) carryforwards of approximately \$12.74 million available to reduce future taxable income. The NOL carryforwards are available for a 20-year period and expire between 2023 and 2035. The sum of \$3.963 million will expire between 2023-2027, \$6.282 million will expire at 2028 and sum of \$2.495 million will expire between 2029-2035. Utilization of the U.S. net operating losses may be subject to substantial limitations due to the change of ownership provisions of the Internal Revenue Code of 1986.

The U.S Company has final tax assessments through 2012.

- b. Foreign tax:

1. Tax rates:

Presented hereunder are the tax rates relevant to the Company’s Israeli subsidiary:

2014 – 26.5%
2015 – 26.5%
2016 – 25%

On January 4, 2016, the Knesset plenum passed the Law for the Amendment of the Income Tax Ordinance (Amendment 216) - 2016, by which, inter alia, the corporate tax rate would be reduced by 1.5% to a rate of 25% as from January 1, 2016.

Furthermore, on December 22, 2016, the Knesset plenum passed the Economic Efficiency Law (Legislative Amendments for Achieving Budget Objectives in the Years 2017 and 2018) – 2016, by which, inter alia, the corporate tax rate would be reduced from 25% to 23% in two steps. The first step will be to a rate of 24% as from January 2017 and the second step will be to a rate of 23% as from January 2018.

As a result of the reduction in the tax rate to 25%, the deferred tax balances as at January 4, 2016 were calculated according to the new tax rate specified in the Law for the Amendment of the Income Tax Ordinance, at the tax rate expected to apply on the date of reversal.

As a result of the reduction in the tax rate to 23% in two steps, the deferred tax balances as at December 31, 2016 were calculated according to the new tax rate specified in the Economic Efficiency Law (Legislative Amendments for Achieving Budget Objectives in the Years 2017 and 2018), at the tax rate expected to apply on the date of reversal.

MY SIZE INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 7 - TAXES ON INCOME (Cont.)

2. The Company’s subsidiaries have estimated total available carryforward operating tax losses for Israeli income tax purposes of approximately \$41,597 as of December 31, 2016. Of these losses, a total of \$38,311 are owned by Topspin Medical (Israel) Ltd. These losses will likely not be offset by future income due to the fact that Israeli tax law does not allow the offset of subsidiary company losses against the parent’s future income. The other losses are owned by My Size Israel 2014 Ltd and may be carryforward to offset against future income for an indefinite period of time.
3. Topspin Medical (Israel) ltd. has final tax assessments through 2012 and My Size (Israel) 2014 Ltd. has no final tax assessments.
- c. U.S. and foreign components of loss from continuing operations, before income taxes consisted of:

	December 31,	
	2016	2015
U.S	(2,617)	(1,984)
Non-U.S. (foreign)	(1,717)	(1,453)
	<u>(4,334)</u>	<u>(3,437)</u>

- d. Deferred taxes:

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company’s deferred tax assets are as follows:

December 31,	
2016	2015

Deferred tax assets:

Operating loss carryforwards	14,097	14,835
Marketable securities	418	-
Deferred tax assets before valuation allowance	14,515	14,835
Valuation allowance	(14,515)	(14,835)
Net deferred tax asset	-	-

The following table presents a reconciliation of the beginning and ending valuation allowance:

	December 31,	
	2016	2015
Balance at beginning of the year	14,835	15,549
Additions in valuation allowance to the income statement	587	515
Additions in valuation allowance allocated to OCI	418	-
Reductions in valuation allowance due to exchange rate differences and change in tax rate	(1,325)	(1,229)
Balance at end of the year	14,515	14,835

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that all or some portion of the deferred tax assets will not be realized.

The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences are deductible and net operating losses are utilized. Based on consideration of these factors, the Company recorded a full valuation allowance at December 31, 2016 and 2015.

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MY SIZE INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 7 - TAXES ON INCOME (Cont.)

- e. Theoretical tax

The following presents the adjustment between the theoretical tax amount and the tax amount included in the financial statements:

	December 31,	
	2016	2015
Loss before income taxes	4,334	3,437
Statutory tax rate	34%	34%
Theoretical tax benefit	1,474	1,169
Foreign tax rate differences and exchange rate differences	(189)	(118)
Nondeductible expenses	(698)	(536)
Change in valuation allowance	(587)	(515)
Taxes on income	-	-

NOTE 8 - STOCKHOLDERS' EQUITY (DEFICIENCY)

- a. Common stock confers upon their holders the right to receive notice to participate and vote in general meetings of the Company, and the right to receive dividends if declared.
- b. On June 10, 2016, the Company was notified that its listing application on the NASDAQ Stock Market ("Nasdaq") had been approved. The shares began trading on July 25, 2016. On July 14, 2016, the Company's board of directors resolved to act according to the provisions of certain convertible loan agreements which were signed by the Company and to carry out an automatic conversion (which was triggered by the exchange listing) of such loans into Company shares subject to its receipt of the consideration and the approvals required by law. Accordingly, the Company issued the shares for the convertible loans, the allotment of which had been approved by the requisite stock exchanges and the consideration for which had been received. The Company issued 2,091,566 shares for convertible loans received by it in the sum of \$7,320. See also Note 9.
- c. In December 2016, the Company entered into a consulting agreement with a consultant (the "Consultant") for the rendering of providing services in connection with marketing strategies, micro and macro-economic issues and for the promotion of the Company's marketing, business, products and operations through smartphone applications. The agreement is for a period of 18 months commencing from October 2016.

In consideration for the services the Company will issue to the Consultant 25,000 shares of common stock of the Company which will be transferred in five installments of 4,150 each and a sixth installment of 4,250 shares each quarter. In addition, the company will issue to the Consultant stock options for the acquisition of the company shares, exercisable not later than March 31, 2018 at an exercise price of NIS18 per share.

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MY SIZE INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

In addition, the company undertook to pay the balance of the consideration for the sale of the shares by the Consultant up to the sum of NIS500,000. If the consideration for the sale of the shares falls below 90% of the shares' price on the stock exchange on the date of their sale, the company shall pay the Consultant the difference. The company may decide at its own discretion whether to make such payment in cash or shares.

The agreement is subject to the approval of the Company's board of directors and the securities authorities in Israel and in the US.

On March 21, 2017, after the report's period, the general meeting adopted a resolution for the approval of a capital remuneration plan for consultants. Said approval was required for the issue of the shares of common stock of the Company and the stock options.

During 2016, costs in the sum of \$90 were recorded by the Company and an undertaking to pay the balance of the consideration was recognized in the sum of \$80 according to the fair value of the undertaking. The issue of the shares of common stock of the Company and stock options was subject to the receipt of all required regulatory approvals. As of the date of the financial report, the shares and options have not yet been issued.

d. Option issued to consultants

The Company's outstanding options granted to consultants as of December 31, 2016 are as follows:

<u>Issuance date</u>	<u>Options for Common stock</u>	<u>Weighted Average exercise price per share</u>		<u>Options exercisable</u>	<u>Expiration date</u>
April 2012	3,066	NIS	0.15	3,066	April 2022
September 2014	100,000	NIS	1.6	100,000	September 2020
September 2014	50,000	NIS	1.6	50,000	September 2020
Total	153,066	NIS	1.33	153,066	

The Company uses the Binomial model to measure the fair value of the stock options with the assistance of a third party valuation.

The fair value of the Company's stock options granted to non-employees was calculated using the following weighted average assumptions:

	<u>Year ended December 31, 2016</u>	<u>Year ended December 31, 2015</u>
Dividend yield	0%	0%
Expected volatility	83%-55%	62%
Risk-free interest	0.2%-0.9%	1.34%
Contractual term of up to (years)	6-1.5	6
Suboptimal exercise multiple (NIS)	11.9-8.3	17.72

e. Stock-based compensation:

The stock based expense recognized in the financial statements for services received from non-employees is shown in the following table:

	<u>Year ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Marketing (income) expenses	(33)	400
General And Administrative	10	-
	<u>(23)</u>	<u>400</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 9 - CAPITAL INVESTMENTS

- a. Between February and March of 2015, the Company signed convertible loan agreements with investors for total consideration of \$2,025. The convertible loans did not bear any interest and were for a period of 8 months. During the convertible loan agreement period, the new investors could have converted the loan amounts to 578,570 shares of common stock of the Company, which reflects a conversion price of \$3.50 per share, at the investor's discretion. In the event that the Company became listed on a national securities exchange in the United States, the outstanding amount of the notes shall be deemed to have been converted automatically into common stock of the Company.

As part of the convertible loan agreements the Company granted the new investors 578,570 warrants to purchase shares of common stock with an exercise price of \$4.50 USD per share. The warrants are exercisable for two years from the date issued.

- b. On January 25, 2016, the warrants granted to all of the investors since February 2015 were amended (except with respect to the warrants held by one investor). The exercise price of the warrants was changed from \$4.50 USD to NIS18 so that the exercise price was tied to the functional currency of the Company. This amendment of the exercise price to NIS changed the accounting for the warrants in accordance with ASC 470 and the warrants in the amount of \$987 has been reclassified to additional paid-in-capital. Prior to setting of the exercise price in USD, the accounting standards required the Company to record the warrants as a liability.

On April, 2016, the Company signed a loan repayment extension for the convertible loans for a two year period until March 31, 2018 (as described in Note 9f below).

The loans and warrants are accounted for as three different components.

Warrants exercisable into shares of common stock are measured at fair value. Changes in fair value are recorded in the statement of income and

loss.

The following table sets forth the assumptions used to measure the fair value of the warrants using the Black Scholes Model:

	Day of issuance	As of December 31 th , 2015	As of January 24 th , 2016
Fair Value	289	693	465
Strike Price	4.50	4.50	4.50
Dividend Yield %	-	-	-
Expected volatility	79%-80%	64%-67%	60%-61%
Risk free rate	0.39%-0.41%	0.7%	0.7%
contractual life remaining	1.5	0.9-1.03	0.8-1
Stock Price	2.29-2.69	4.54	4.21

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MY SIZE INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 9 - CAPITAL INVESTMENTS (Cont.)

Short-term convertible loans – financial expense for this component are realized using the effective rate over time. As of the issuance day the value of the loans were \$374.

Embedded derivative – the conversion option held by the lender is measured at fair value. Changes in fair value are recorded in the statement of income and loss.

The following table sets forth the assumptions used to measure the fair value of the embedded derivative using the Black Scholes Model:

	Day of issuance	As of December 31 th , 2015	As of June 10 th , 2016
Fair Value	114	594	1,198
Strike Price	3.50	3.50	3.50
Dividend Yield %	-	-	-
Expected volatility	57%-61%	55%	75%
Risk free rate	16%-17%	0.1%-0.2%	0.7%
Expected term	0.67	0.04-0.19	1.8
Stock Price	3.89-4.36	4.54	4.63

- c. On April 15, 2015, the Company signed an additional convertible loan agreement with a new investor for total consideration of \$2,000. The consideration was given in the form of shares of common stock of Diamante Minerals, Inc. (DIMN) which is publicly traded on the OTCQB Marketplace. The convertible loan did not bear any interest and is for a period of 8 months. During the convertible loan agreement period the new investor could convert the loan amount to 571,429 shares of common stock of the Company, which reflected a conversion price of \$3.50 USD per share, at his discretion. In the event that the Company became listed on a national securities exchange in the United States the outstanding amount of the note shall be deemed to have been converted automatically into common stock of the Company. If the loan is not converted into Company shares, the Company has the right to repay the loan in DIMN shares according to the value of the shares on the date of the transaction.

In addition, the investor has the right to repurchase DIMN shares at a price higher than 105% of its value on the date of the transaction or 5% of the value of the shares traded on the stock exchange.

At the same time, the Company has the right to choose whether to repay the loan in cash or to return the shares that were borrowed or part thereof. This mechanism provides protection against impairment of shares below the threshold of \$2 million, which is equivalent to a put option on DIMN shares up to an exercise price of \$0.55.

The following table sets forth the assumptions used to measure the fair value of the warrant using the Black Scholes Model:

	Day of issuance	As of December 31 th , 2015	As of January 24 th , 2016
Fair Value	612	756	522
Strike Price	4.50	4.50	4.50
Dividend Yield %	-	-	-
Expected volatility	82%	69%	60%
Risk free rate	0.51%	0.7%	0.7%
Expected term	1.5	1.1	1
Stock Price	3.83	4.54	4.21

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MY SIZE INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 9 - CAPITAL INVESTMENTS (Cont.)

Short-term convertible loans – financial expense for this component are realized using the effective rate over time. As of the issuance day the

value of the loan was \$953

Embedded derivative – the conversion option held by the lender is measured at fair value. Changes in fair value are recorded in the statement of income and loss.

The following table sets forth the assumptions used to measure the fair value of the embedded derivative using the Black Scholes Model:

	Day of issuance	As of December 31 th , 2015	As of March 31 st , 2016	As of June 10 th , 2016
Fair Value	349	645	14	1,261
Strike Price	3.50	3.50	3.5	3.50
Dividend Yield %	-	-	-	-
Expected volatility	55%	49%	38%	75%
Risk free rate	0.19%	0.2%	0.2%	0.7%
Expected term	0.67	0.28	0.03	1.8
Stock Price	3.83	4.54	3.31	4.63

The following table sets forth the assumptions used to measure the fair value of the put options using the Black Scholes Model:

	Day of issuance	As of December 31 th , 2015
Fair Value	807	764
Strike Price	0.55	0.55
Dividend Yield %	-	-
Expected volatility	125%	171%
Risk free rate	0.1%	0.2%
Expected term	0.67	0.28
Stock Price	0.53	0.5

As part of the convertible loan agreement the Company granted the investor 571,429 warrants to purchase shares of common stock with an exercise price of \$ 4.50 per share. The warrants are exercisable for two years from the date of issuance.

On May 19, 2016, the Company signed an addendum to the investment of April 15, 2015, in which the investor is obligated to transfer additional US publicly traded shares to the Company so that the value of these shares that will be transferred plus 3,616,667 shares of DIMN, which were transferred to the company on August 11, 2015, will be \$ 2,000. On August 18, 2016 the Company and the investor signed a further amendment for the agreement of the the loan in which the Company will waive the additional shares and thereof the amount of the loan will be set to \$1,410.5 and in return the company will issue 403,000 shares and 403,000 options to purchase shares of common stock.

On September 5, 2016 the shares and options were issued by the Company. On December 31, 2016, the value of the DIMN shares owned by the Company was approximately \$579. As of December 31, 2016 the Company holds approximately 3.617 million shares of DIMN, representing approximately 6.95% of the issued share capital of DIMN. DIMN is engaged in exploration, development and operation of a diamond project.

MY SIZE INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 9 - CAPITAL INVESTMENTS (Cont.)

- d. On December 28, 2015, the Company signed convertible loan agreements totaling \$2.7 million with two investors. The convertible loans do not bear interest. The loans are convertible into shares of the company within 8 months from the date of receipt at an exercise price of \$3.50 per share (771,427 shares). In addition, the Company issued warrants convertible into 771,427 shares of common stock of the Company for 24 months at an exercise price of \$4.50 per warrant.
- e. On February 2016, the board of directors of the Company approved the Company's engagement with private-investors in convertible loan agreements according to which the investors would tender an interest free loan to the Company in the total amount of \$750, convertible into shares of common stock of the Company. The loans are convertible into Company's shares within eight months from their receipt in an exercise price of \$3.50 per share (214,285 shares). In addition, the Company would issue options to purchase 214,285 to common stock over a period of 24 month and at an exercise price of NIS18 per option.

On the date of its receipt of the loan amounts, the allotment was attributed to three components:

- (1) Equity options to Company shares – measured according to the fair value on the measurement date. The following table presents the data which were used to measure the fair value of the equity options to Company shares according to the Black Scholes Model for the pricing of options, with respect to the above plan:

	Day of issuance
Fair value in USD thousands	77
Exercise price in NIS	18
Dividend return for the share (%)	0
Expected volatility of share price (%)	75%
No risk interest rate (%)	0.2%
Life expectancy of the share options (years)	2
Price per share (NIS)	17.39-17.78
Early exercise multiplier	0

- (2) Convertible loan – the financing expenses for this component will be recognized as financing expenses according to the effective interest method over the remaining life of the agreement. On the allotment date, the agreement had no value due to the fact that the consideration was attributed to the two other components according to their fair value

- (3) Embedded derivative – options held by the loan holder. Measured according to fair value over the entire reporting period.

The following table presents the data used to measure the fair value of the embedded derivative of the Company's shares according to the Black Scholes Model with respect to the above plan:

	Day of issuance	As of June 10 th , 2016
Fair value in USD thousands	92	93
Exercise price in Dollars	3.5	3.50
Dividend return for the share (%)	0	-
Expected volatility of share price (%)	75%	75%
No risk interest rate (%)	0.7%	0.7%
Life expectancy of the share options (years)	1.85	1.8
Price per share	4.58	4.63

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MY SIZE INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 9 - CAPITAL INVESTMENTS (Cont.)

- f. Following the investment agreements which were executed by the Company in December 2015, and February 2016, (as described in note 9d and 9e above) in a total amount of \$3,450, in April, 2016, the Company signed a loan repayment extension for a two year period until March 31, 2018. The above loan repayment extension was executed by the repayment of the existing instruments and the re-issue of a loan consisting of a commitment component and a conversion component. In addition, following its receipt of Nasdaq's listing approval on June 10, 2016, the Company converted these loans into capital as described in note 9J.
- g. During July 2016, the company received the money from investors through a guarantee by an ungraded financial institution in the sum of \$3,156 (as described in note 1C).
- h. In May 2016, the Board of Directors approved the Company's offers with private investors for convertible loan agreements whereby the investors were to provide a loan for a total amount of \$1,055, which does not bear interest, and which is convertible into common shares of the Company.

The loans are convertible into 301,426 shares until March 31, 2018 at an exercise price of \$3.50 per share. In addition, the Company will issue non-negotiable warrants to purchase 301,426 shares of common stock of the Company until March 31, 2018 at an exercise price of NIS 18 per share. From the above agreements the Company received, as of December 31, 2016, about \$560 in cash and about \$495 in three checks. Accordingly, on September 5, 2016, the Company issued 159,998 shares and options in exchange for payment the payment of \$560.

To ensure his obligations under the Agreement, the Investor provided the Company with a third-party guaranty and postdated checks.

The Investor and the Guarantor failed to fulfill their obligations under the Agreement and didn't provide the Company with the loan. The bank returned the checks that the Company tried to deposit.

The Company's attempts to reach amicable solution to resolve the breach of this agreement failed.

Therefore, On February 22, 2017 the Company gave a written notice to the Investor and the guarantor, stating that unless the full payment of all due amounts was made by February 27, 2017, that will constitute a grave and fundamental breach of the agreement and the Company shall immediately commence appropriate legal action to protect its interest.

On February 28, 2017, the Company's Board of Directors resolved to accede to the investors request to extend the date designated for payment to the Company provided for under the agreement by 21 additional days. On April 9, 2017 the Board resolved to authorize management to determine a payment plan for the investor, in accordance with the Company's financial needs, so that the entire outstanding balance of the debt will be paid by May 30th, 2015. No shares will be issued until the entire outstanding debt will be fully paid.

Subsequent to December 31, 2016, a sum of \$40 of the checks has been redeemed in cash.

- i. On June 10, 2016, the Company was notified that its listing application on Nasdaq had been approved. Shares of Company common stock began trading on July 25, 2016. Accordingly, the Company's convertible loans were converted into capital. On July 14, 2016, the Company's board of directors resolved to act according to the provisions of the convertible loan agreements which were signed by the Company and to carry out an automatic conversion of the loans into Company shares subject to its receipt of the consideration and the approvals required by law. Accordingly, after the reporting date, the Company actually issued the shares for the convertible loans for the allotment of which had been approved by the applicable stock exchanges and the consideration for which had been received. As of December 31, 2016, the Company issued 2,091,566 shares for convertible loans received by it in the sum of \$7,320.

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MY SIZE INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 9 - CAPITAL INVESTMENTS (Cont.)

A summary of the warrant activity during the years ended December 31, 2016 and 2015 is presented below:

Number of	Weighted Average Exercise	Weighted Average Remaining Life in
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	Warrants	Price	Years
Outstanding, December 31, 2014			-
Issued	1,149,999	4.50	
Outstanding, December 31, 2015	1,149,999	4.50	1.18
Issued	1,145,710		
Cancelled	(318,428)		
Outstanding, December 31, 2016	1,977,281	4.69	
Exercisable, December 31, 2016	1,997,281	4.69	1.01

As of December 31, 2015 the warrants were deemed to be a derivative liability.

As of December 31, 2016 the warrants in the amount of \$987 has been reclassified to additional paid-in-capital. See also Note 9 b.

NOTE 10 - CONTINGENCIES AND COMMITMENTS

- a. On December 27, 2015, the Company received a legal complaint. The defendants are the Company, all the members of the Board of Directors, Mrs. Shoshana Zigdon, a shareholder and related party in the Company, as well as two additional defendants who are not shareholders, officers or directors of the Company. The plaintiff alleges that the Company violated its obligation to register his shares for trade with the Tel Aviv Stock Exchange causing a total of 2,622,500 NIS damage. The plaintiff seeks relief against the defendants through financial compensation at the rate of the aforementioned alleged damage; additional compensation of 400,000 NIS due to mental anguish; and if and to the extent that until the time the plaintiff can sell its shares on the Tel Aviv Stock Exchange ("the exercise date"), if the rate of a Company shares rises above the amount of 20.98 NIS ("the base rate"), an additional amount at the rate of the difference between the base rate and the highest rate of a Company share between the time the claim was submitted and the exercise date; and also court costs and attorney's fees of the plaintiff.

All pre-trial preliminary proceedings as well as submission of all evidentiary affidavits and expert opinions by both parties have been completed.

Pursuant to the Court's recommendation, the case was referred to mediation by the honorable Judge (Rtd.) Hilla Gerstel, former president of the Central District Court. The mediation is going on and the next mediation session is scheduled for May 4th, 2017.

The Company estimates, based on the opinion of its legal counsel that the risk of acceptance of the remedy requested by the plaintiff in his claim, namely, that the Company was obligated to remove the restriction which was imposed on the shares and register plaintiff's shares for trade on the stock exchange, exceeds the chance of its dismissal. This remedy, as such, does not constitute any financial exposure to the Company. However, the company believes, based on the opinion of its legal counsel, that assuming the plaintiff's claim for the main relief, i.e. the removal of the restriction from and the registration of his shares on the stock exchange, will be accepted by the court, it appears that prima facie the risk that the court will also rule that the plaintiff is entitled to financial compensation for the alleged delay in registering his shares, exceeds the chance that such financial compensation will not be awarded.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 10 - CONTINGENCIES AND COMMITMENTS (Cont.)

According to the expert opinion submitted to the court by the plaintiff, the plaintiff's expert calculates the approximate damage allegedly caused to the plaintiff between 3-3.6 million NIS assuming the shares will be registered by December 31st, 2016, and additional compensation for each additional month subsequently. According to the Company's expert opinion submitted to the court, the Company's expert asserts that the plaintiff's expert opinion is erroneous and in his opinion and assuming the plaintiff's claim will be accepted by the court, than the estimated damage caused to the plaintiff as a result of a 4-5 years delay in registering his shares is estimated at approximately NIS 234,000 (plus interest and CPI differences) if it will be ruled that the restriction from plaintiff's shares should have been removed within six months as of the purchase date thereof and at approximately NIS 130,000 if it will be ruled that the restriction from plaintiff's shares should have been removed within twelve months as of the purchase day thereof. It should be noted that all experts' calculations are based on the share market price, and consequently any changes in the share price at the time a judgement will be rendered by the court, could increase or decrease the Company's exposure respectively.

- b. On May 17, 2012, the Company signed an agreement for a convertible loan with a third party (hereinafter the "Investor"). In accordance with the loan agreement, the Company received a total of NIS 200,000 with the signing of the loan agreement and was to receive an additional amount of NIS 100,000 at the end of a period not exceeding 21 days, during which the investor would perform due diligence on the Company. In addition, the agreement was for additional investments up to a total of NIS 2,000,000.

Under the agreement, the investor was entitled to convert the loan amounts granted to the Company into common shares of the Company with US \$ 0.001 par value each, at a price per share equal to the amount of NIS 0.97. If the loans were not converted into the Company shares, the loan was to be repaid one year after the date of the loan agreement plus annual interest of 10%.

On February 18, 2015, the Company received a claim in a summary judgement for the investor's demand of payment of the loan amount of NIS 200,000, which was granted to the Company on May 17, 2012, plus interest of 10% annually as from May 20, 2012 until payment of the debt, which as of the date of filing of the claim was NIS 258,000.

On June 13, 2016, a settlement agreement was entered into between the parties according to which in consideration for the final and conclusive annulment of all claims and/or demands raised by the plaintiff against the Company in the framework of the law suit, the Company would pay the plaintiff the sum of NIS 250,000 forthwith by wire transfer of about NIS 95,000 and by the forfeiture of the sum of about NIS 155,000 which had been deposited with the court. An additional amount of NIS 50,000 would be paid within twelve months from the approval of the settlement agreement by the court or on the closing date of a public offering of Company shares, pursuant to its terms, on a stock exchange in the United States, according to the earlier. As of the date on which the financial statements were signed the payment has not yet occurred.

- c. On September 9th, 2015, fourteen shareholders filed a complaint against the Company and its CEO Mr. Ronen Luzon, alleging that in accordance with agreements signed between plaintiffs and the Company, the plaintiffs are entitled to register their shares for sale with the stock market, while the Company allegedly breached its obligation and refrained from doing its duty to register the plaintiffs' shares. The plaintiffs seek declaratory remedy that they are entitled to register their shares and also request the right to split their remedies so they will also be able subsequently to claim from the defendants compensation for any financial damage causes by the Company's failure to register their shares, including damage due to any decrease in the shares' price during the period the shares should have been registered. On November 5th, 2015, the Company filed its defense and a counter claim against the plaintiffs and against two additional defendants (who are not plaintiffs) Mr. Asher Shmuelevitch and Mr. Eitan Nahum. In its counter claim, the Company allege that the agreements by force of which the counter defendants hold their shares are defunct,

based on fraud, as the counter defendants have never paid and never agreed to consider for their shares. The Company further alleges the Mr. Shmulevitch used his position as a director and controlling shareholder of the Company to knowingly cause the Company to enter such defunct agreements. The Company moved the court to dismiss the complaint against it, declare that all agreements with the counter defendants are null and void and that the shares should be returned to the Company. Additionally, the Company seeks financial compensation from the counter defendants for financial damage caused as a result of their actions. For the purpose of the trial charge only, the Company capped the requested compensation against counter defendants at NIS 10 million. All preliminary proceedings and hearing of all evidence by the court have been completed and the case awaits the court's judgement.

- d. On January 16, 2014, the Company received a demand letter from one of its shareholders for the payment of about \$1.4 million as compensation for alleged breaches by several parties including the Company and its previous controlling shareholder (who is not the current controlling shareholder of the Company) of an allotment agreement between the Company and its previous controlling shareholder and shareholders of Metamorefix. The execution of the allotment agreement was completed in December 2011 and thereafter, in January 2013, the entire share capital of Metamorefix was sold by the Company.

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MY SIZE INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 10 - CONTINGENCIES AND COMMITMENTS (Cont.)

A response letter was sent by the Company which stated that the Company did not consider itself as a party to the allegations which were raised in said letter and that in any event all such allegations were denied by it. The Company believes that the claim is without merit and the Company intends to vigorously defend the claim. The Company did not make an allowance in the reports in connection with said demand.

- e. On November 14, 2014, the Company entered into a cooperation agreement for a period of six months with IN SITU S.A. (hereinafter respectively: the "Agreement" and "IN SITU") the owner of the rights in the fashion brand-name TRUCCO, which includes women's fashion, belts and footwear and which is marketed and sold all over the world by IN SITU through a chain of stores and sale points as well as through TRUCCO's website (hereinafter: the "Website"). According to the Agreement IN SITU and the Company will cooperate in a bid to integrate the Company's measurement technology (hereinafter: the "Platform") in IN SITU's computerized data system and any other system which would enable to use the Platform on the Website as well as in the store and sale points for the examination of the Platform's efficiency in relation to IN SITU's sales and customers' satisfaction. The Company undertook that not later than within six months from the date of execution of the Agreement, the Platform would be completed and operable, namely, that the integration between the data systems of the parties would be completed and the end-customer would be able to take his measurements and purchase a befitting product using the Platform. Should the Company fail to fulfill its undertakings under the Agreement to grant the license and/or fully integrate the Platform within six months from the date of execution of the Agreement, the Company shall compensate IN SITU in the sum of 60 thousand Euros. As a result of the extended timetable there is an understanding between the parties to continue cooperation.
- f. On January 9, 2014, the Company's general meeting approved an engagement with one of the investors (as specified in paragraph 1b above) for the acquisition of rights in a Venture for the accumulation of physical data of human beings by portable electronic devices for the purpose of locating, based on the accumulated data, articles of clothing in internet apparel stores, which will fit the person whose measurements were accumulated.

In consideration for the acquisition of the Venture the Company will undertake to pay the seller 18% the Company's operational profit arising directly or indirectly from the Venture during a period of seven years from the termination of the development period of the Venture. In addition the Seller received an option for a buy-back of the Venture upon the occurrence of any one or more of the following: (a) if an application was filed for the liquidation of the Company or for the appointment of a receiver for the Company's assets or any material part thereof or for the imposition of a lien on a material part of the Company's assets, which were not revoked within 60 days from the date they were so filed; (b) if by the end of seven years from the execution date of the agreement the entire aggregate income of the Company arising directly or indirectly from the Venture or from the commercialization of the patent was lower than NIS 3.6 million. According to the Company's evaluation, the current value is negligible. The buy-back option is valid for 90 days from the occurrence of either one of the above events. The agreed consideration was determined based on a valuation which was prepared by an independent assessor.

- g. The Company entered into a two-year lease for office space under a non-cancelable operating lease agreement expiring August 2017. The Company is obligated as part of the lease to pay maintenance expenses as well as property taxes and insurance costs as defined in the agreement. Monthly payments are approximately \$6 over the course of the lease term adjusted for changes in the CPI. The Company has the option to renew this lease for one additional period of one year. The Company issued a bank guarantee of approximately \$62 for the benefit of the lessor.

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MY SIZE INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 10 - CONTINGENCIES AND COMMITMENTS (Cont.)

Approximate future minimum rental payments due under these leases are as follows:

Year Ending:

2017	48
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Rent expense (excluding taxes, fees and other charges) for the year ended December 31, 2016 totaled approximately 72.

- h. In November 2015, the Company entered a collaboration agreement with one of the Israel's largest private couriers ("Katz") under which the parties will collaborate to develop an application based on the company's technology, which will allow the end customer to measure the size of packages intended for shipment and to receive details about the cost of sending the package, based on its size. The collaboration agreement is for a period of up to six months, which may be extended by agreement of both parties or terminated by either party with prior notice of 14 days.

On July 4, 2016, the Company announced that it completed integration of the first app (beta) that it developed in the said affiliation in the Katz'

systems.

The application uses the Company's exclusive measuring algorithm and enables measuring the package's volume by moving the smart phone over the package. This information, and the package's barcode scan, picture and location, are sent to the information servers of the Katz company and help in its pricing.

On November 7, 2016 the company announced the launch of BoxSizeID app, which is an application that enables customers to quickly and easily measure the size of a package and calculate the exact shipping cost. BoxSizeID also provides shipping companies accurate logistic data to better manage the process of shipping packages before the packages reach their distribution centers. The company is currently carrying out a pilot to implement BoxSizeID with Katz.

- i. On March 4, 2016, the Company entered a collaboration and license agreement with LSY International, Inc., a private company incorporated in the United States and which, among other things, sells luxury clothes made of fur, cashmere, alpaca, and shearing under the brand name "Yudovsky".

Under the agreement, the parties will cooperate for the purpose of integrating the company's measurement technology and computerized information systems of LSY. The agreement stipulates that the integration of these technologies, will be completed within four months from the date the agreement was signed.

Upon completion of the integration, a 60-day technology testing period will begin, after which, subject to the fulfillment of the technological conditions, the agreement will take effect.

According to the agreement, the Company shall be entitled to a total of 7.5% of every sale by LSY, and LSY company will pay a monthly sum of \$ 2.5 for maintenance fees and services that the company will provide.

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MY SIZE INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 10 - CONTINGENCIES AND COMMITMENTS (Cont.)

As the Company successfully completes integration of the technology into LSY's systems and subject to the limitations set forth in the agreement, the Company will grant to LSY exclusive license to use the technology in the field of luxury clothing made of: fur, cashmere, alpaca and shearing. The exclusive license will be awarded to LSY as long as the company will have a minimal income from the agreement as follows:

- 1) Minimum income of \$ 1,000 at the end of the first period of 24 months from the effective date, and
- 2) Minimum income of \$ 5,000 at the end of each subsequent year.

Under the agreement, LSY will pay the Company \$100 in fees for establishment and implementation of technology systems as follows:

- 1) \$ 10 upon signing the agreement.
- 2) \$30 upon start of implementation.
- 3) \$20 upon completion of implementation.
- 4) \$40 balance upon completion of testing and monitoring implementation and the agreement taking effect.

As of the reporting date, the Company received a total of \$10 in accordance with the said terms of the agreement, which was recorded as deferred revenue in the framework of the payables section and credit balances until the fulfillment of conditions for revenue recognition.

- j. In December 2016, the Company engaged with an external consultant (the "Consultant") to provide services in marketing strategy and public relations, including potential investors relations. For such consulting services the Company shall issue to the Consultant options to purchase 2,000,000 shares of common stock at variable exercise prices ranging from \$3.5 to \$9 per share.

The issuance of the options under the agreement is subject to the receipt of all the approvals required by the laws applicable to the Company, including stock exchange approvals and the approval of a meeting of its shareholders to adopt an equity incentive plan for consultants. The equity incentive plan for consultants was approved by the shareholders on March 21, 2017, and such options have not yet been issued.

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MY SIZE INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 11 - MARKETING, GENERAL AND ADMINISTRATIVE

	December 31,	
	2016	2015
Marketing	231	243
Salaries	271	88
Share based payments for consultants	(23)	400
Directors	49	65
Travel	63	37
Rent, office expenses and communication	178	74
professional services	940	619
other	150	68
	<u>1,859</u>	<u>1,594</u>

NOTE 12 - FINANCIAL EXPENSE, NET

A. Financial income

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Revaluation PUT Option	-	768
Revaluation of derivative	276	-
Exchange rate differences from the valuation of convertible loans	71	35
Change in fair value of warrants	450	37
	<u>797</u>	<u>840</u>

B. Financial expense

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Change in fair value of warrants	-	565
Revaluation of derivative	-	788
Financial expenses from convertible loan	528	1,019
Revaluation PUT Option	776	-
Revaluation investment in marketable securities	1,233	-
other	8	10
	<u>2,545</u>	<u>2,382</u>

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MY SIZE INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 13 - SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

On August 10, 2016, the Company's board of directors approved the updated employment terms of the following officers: for Mr. Eli Walles (Chairman of the board) and Ms. Billy Pardo (Chief Product Officer) an updated salary of NIS 35,000 per month plus employer's cost, and for Mr. Ronen Luzon (Company's director, Company's chief Executive Officer and a controlling shareholder thereof) an updated salary of NIS 40,000 per month plus employer's cost. The above remuneration policy, as far as it concerns the Chairman of the board and the Company's CEO (who is also a member of the Company's board of directors and a controlling shareholder thereof) was subject to the approval of the general meeting of the Company's shareholders, and was approved at the meeting.

NOTE 14 - EVENTS SUBSEQUENT TO THE BALANCE SHEET

- a. In February 2017, the Board of Directors approved agreements with investors that will provide an investment for a total amount of \$200 in exchange for 200,000 shares of common stock of the Company. In addition, the Company will issue non-negotiable warrants exercisable into 250,000 shares of common stock of the Company until November 22, 2017 at an exercise price of \$3.50 per share.
- b. As described in Note 1C, as of December 31, 2016 the Company entered into fund raising agreements in a total sum of \$7,815 out of which the sum of \$3,247 and \$1,410 was received in cash and marketable securities, respectively.

As the date of this report the company has \$2,663 and \$495 in guarantee notes and checks. Subsequent to December 31, 2016, a sum of \$1,299 and \$40 of the guarantee notes and the checks respectively have been redeemed in cash.

The following proforma consolidated balance sheet is based on the December 31, 2016 balance sheet with adjustments for receipt of \$1,819 from the remaining guarantee notes and checks from investors for stock subscribed for but not yet issued.

Assets	\$	3,969
Liabilities		625
Stockholders' equity		3,344
Total liabilities and stockholders' equity	\$	3,969

The effect on equity and on the assets of collecting the money from the bank guarantees and the checks is an increase of \$1,819. As a result of the foregoing, the Company's stockholder's equity, on a pro forma basis, is \$3,344 as of December 31, 2016.

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Item 9 - Changes in and Disagreements With Accountants and Financial Disclosure

There were no disagreements with accountants on accounting and financial disclosure of a type described in Item 304 (a)(1)(iv) or any reportable event as described in Item 304 (a)(1)(v) of Regulation S-K.

Item 9A - Controls and Procedures

EVALUATION OF DISCLOSURE CONTROLS

Our Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company's "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 (Exchange Act) Rules 13a-15(e) or 15d-15(e)) as of December 31, 2016, the end of the period covered by this annual report, has concluded that our disclosure controls and procedures were effective such that the information required to be disclosed by us in reports filed under the Securities

MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. As defined in Rules 13a-15(f) under the Securities Exchange Act of 1934, internal control over financial reporting is a process designed by, or under the supervision of, the Company’s principal executive, principal operating and principal financial officers, or persons performing similar functions, and effected by the Company’s board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

The Company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records, that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company’s assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of the Company’s management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, including our chief executive officer and chief financial officer, assessed the effectiveness of our internal control over financial reporting at December 31, 2016. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework. Based on that assessment under those criteria, management has determined that, as of December 31, 2016, our internal control over financial reporting was effective.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by the Company’s registered public accounting firm pursuant to the exemption provided to issuers that are not “large accelerated filers” nor “accelerated filers” under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B - Other Information

None

Item 10 - Directors and Executive Officers

Directors, Nominees, Executive Officers and Corporate Governance

The following table sets forth the name, age and positions of our executive officers, directors and director nominees.

<u>NAME</u>	<u>AGE</u>	<u>POSITION</u>	<u>DATES OF SERVICE</u>
Eli Walles	36	Chairman of the Board	September 2013 – Present
Ronen Luzon	46	Chief Executive Officer and Director	September 2013 – Present
Or Kles	34	Chief Financial Officer	May 2016 – Present
Billy Pardo	41	Chief Product Officer	May 2014 – Present
Oded Shohan	32	Chief Technology Officer	May 2014 – Present
Zeev Lavenberg	53	Independent director	August 2012 – Present
Moshe Gedansky	38	Independent director	August 2014 – Present
Oron Brantitzky	59	Independent director	March 2017 - Present

The business background and certain other information about our directors and executive officers is set forth below:

Ronen Luzon — Founder, Director & Chief Executive Officer

Prior to founding the Company, from 2006, Ronen is the CEO and Founder of Malers Ltd., a company in the global security solutions market and provides technological solutions for integrated communication infrastructures, security and control systems. Prior to that, he held several senior marketing, sales management and professional services positions in a variety of international high tech companies. Ronen graduated from Middlesex University in London with a B.sc in IT and Business Information Systems (1998).

Or Kles, CPA — Chief Financial Officer

Mr. Kles is a CPA with a broad, diverse financial background. In recent years, Or has been seeing through planning, budgeting, forecasting, tax, and auditing processes. Or holds an MBA and a BA in Business Management and Accounting (specializing in financing). During the 5 years prior to his employment by the Company, served at the financial department of Shikun and binui- Solel boneh infrastructure LTD and as an associate at KPMG.

Oded Shoshan — Chief Technology Officer

In addition to his role with the Company, from 2012, Mr. Shoshan is the founder and CEO of MonkeyTech, a company that provides design, development and characterization of mobile applications. Before that, from 2010-2012 Oded was software project manager for the company One. Prior to his role in company One, Oded served in the Israel Defense Forces, in the elite Data Center & Information Systems Unit (Mamram) and as officer in the computer division of the Israeli Air Force. Oded holds a BA from Tel Aviv University in cinema.

Billy Pardo — Chief Product Officer

Prior to joining the Company, from 2010-2013, Billy was Senior Director of Product Management and member of Fourier Education executive management team. Among her areas of expertise are launching products from the concept to the successful delivery in various methodologies, including Fourier Education’s award-winning einstein™ Science Tablet. From 2008-2010, she held a product management position at Time to Know. Prior to that from 1999 she was the R&D Software Team Leader for Eldat Communication Ltd.

Mr. Eli Walles — Chairman of the board

From 2010 – 2014, Mr. Walles was the Marketing Manager of MS Berlin GMBH, a real estate investment company. He is also a professional Jewish cantor appearing around the world. In 2001 he graduated from the Hebron Yeshiva in Jerusalem.

Mr. Zeev Levenberg — Director (independent)

In addition to his position in the Company, Mr. Levenberg serves as a director in a number of public companies traded on the Tel Aviv Stock Exchange: Foresight Ltd., Greenery Ltd., Karad israel ltd, and Alon Blue Square Ltd., a private company that issued traded bonds. Prior to that, he served as a director in several Israeli public companies. Between 2002 and 2008 he served as a director and member of the investment committee at Altschuler and Shaham, an Israeli mutual fund company. Mr. Levenberg holds a BSc in Medical Sciences from the Hebrew University of Jerusalem and an MBA from Bar-Ilan University in Israel.

Mr. Moshe Gidansky — Director (independent)

Moshe Gidansky is an accountant (CPA) and an attorney in Israel. Mr. Gidansky has been CFO at Netz Group Ltd. and at its subsidiaries since 2011. From 2007 – 2013 Mr. Gidansky worked at the Corporate Division in the Israeli Securities Authority. His last position at the Israeli Securities Authority was senior assistant chief accountant and as such was involved in all aspects of accounting work involving the supervision and regulation of public companies. Mr. Gidansky holds a B.A in Accounting and Economics (summa cum laude) from Tel Aviv University, Israel and a Law degree from Bar Ilan University Israel. Mr. Gidansky held the position of lecturer of accounting at the Inter Disciplinary Center in Herzliya as well as serving as a member of the Professional Overseeing Committee of accounting and financial reporting of the Israeli Institute of Certified Public Accountants.

Mr. Oron Branitzky — Director nominee (independent)

Mr. Branitzky, a nominee for director, previously worked at Pricer E.S.L. Ltd. Pricer provides in-store, digital, shelf-edge solutions that enhance both store performance and the shopping experience. Oron built and managed a network of system integrators, resellers and subsidiaries in Europe, North America & Asia. Mr. Branitzky currently serves as the chairman of the board of WiseShelf and is a marketing advisor for other European retailers. He has a BS from the Hebrew University of Jerusalem and an MBA in International Marketing from Tel Aviv University.

Committees of the Board

Audit Committee

The Company's audit committee, is comprised of Mr. Levenberg, Ms. Herman, and Mr. Gidansky. Under the NASDAQ listing standards and applicable SEC rules, we are required to have three members of the audit committee, all of whom must be independent. Upon his election, we anticipate that Mr. Branitzky will be appointed to this committee.

We have adopted an audit committee charter, which details the principal functions of the audit committee, including:

- the appointment, compensation, retention, replacement, and oversight of the work of the independent auditors and any other independent registered public accounting firm engaged by us;

- pre-approving all audit and non-audit services to be provided by the independent auditors or any other registered public accounting firm engaged by us, and establishing pre-approval policies and procedures;
- reviewing and discussing with the independent auditors all relationships the auditors have with us in order to evaluate their continued independence;
- setting clear hiring policies for employees or former employees of the independent auditors;
- setting clear policies for audit partner rotation in compliance with applicable laws and regulations;
- obtaining and reviewing a report, at least annually, from the independent auditors describing (i) the independent auditor's internal quality-control procedures and (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the audit firm, or by any inquiry or investigation by governmental or professional authorities, within, the preceding five years respecting one or more independent audits carried out by the firm and any steps taken to deal with such issues;
- reviewing and approving any related party transaction required to be disclosed pursuant to Item 404 of Regulation S-K promulgated by the SEC prior to us entering into such transaction; and
- reviewing with management, the independent auditors, and our legal advisors, as appropriate, any legal, regulatory or compliance matters, including any correspondence with regulators or government agencies and any employee complaints or published reports that raise material issues regarding our financial statements or accounting policies and any significant changes in accounting standards or rules promulgated by the Financial Accounting Standards Board, the SEC or other regulatory authorities.

The Audit Committee met on 5 occasions during the fiscal year ended December 31, 2016. Each of the members of the Audit Committee attended at least 75% of the meetings held by the Audit Committee during the time such directors served as a member of the committee.

Compensation Committee

The Company's compensation committee consists of Mr. Levenberg, Ms. Herman, and Mr. Gidansky. Upon his election, we anticipate that Mr. Branitzky will be appointed to this committee. We have adopted a compensation committee charter, which details the principal functions of the compensation committee, including:

- reviewing and approving on an annual basis the corporate goals and objectives relevant to our Chief Executive Officer's compensation, evaluating our Chief Executive Officer's performance in light of such goals and objectives and determining and approving the remuneration (if any) of our Chief Executive Officer's based on such evaluation;
- reviewing and approving the compensation of all of our other executive officers;

- reviewing our executive compensation policies and plans;
- implementing and administering our incentive compensation equity-based remuneration plans;
- assisting management in complying with our proxy statement and annual report disclosure requirements;
- approving all special perquisites, special cash payments and other special compensation and benefit arrangements for our executive officers and employees;
- producing a report on executive compensation to be included in our annual proxy statement; and
- reviewing, evaluating and recommending changes, if appropriate, to the remuneration for directors.

The Compensation Committee met on 2 occasions during the fiscal year ended December 31, 2016. Each of the members of the Compensation Committee attended at least 75% of the meetings held by the Audit Committee during the time such directors served as a member of the committee.

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Family Relationships

Mr. Ronen Luzon, the Chief Executive Officer and a Director of the Company, and Mrs. Billy Pardo, the Chief Product Officer of the Company, are husband and wife. There are no other family relationships among any of our current or former directors or executive officers.

Arrangements between Officers and Directors

To our knowledge, there is no arrangement or understanding between any of our officers and any other person, including Directors, pursuant to which the officer was selected to serve as an officer.

Involvement in Certain Legal Proceedings

We are not aware of any of our directors or officers being involved in any legal proceedings in the past ten years relating to any matters in bankruptcy, insolvency, criminal proceedings (other than traffic and other minor offenses), or being subject to any of the items set forth under Item 401(f) of Regulation S-K.

Corporate Governance

General

We believe that good corporate governance is important to ensure that the Company is managed for the long-term benefit of our stockholders. This section describes key corporate governance practices that we have adopted.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who own more than ten percent of a registered class of our equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and other equity securities. Officers, directors and greater than ten percent stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file.

To our knowledge, based solely upon a review of Forms 3, 4, and 5 furnished to us during the fiscal year ended December 31, 2016, we believe that the directors, executive officers, and greater than ten percent beneficial owners have complied with all applicable filing requirements during the fiscal year ended December 31, 2016, except the initial Form 3s filed by all of our officers and directors.

Code of Conduct and Ethics

We have a Code of Business Conduct and Ethics that applies to all our employees, and a Supplemental Code of Ethics that specifically applies to our Chief Executive Officer and Principal Financial Officer. The text of the Code of Business Conduct and Ethics and the Supplemental Code of Ethics are publicly available on our website at www.mysizeid.com. Disclosure regarding any amendments to, or waivers from, provisions of the code of conduct and ethics that apply to our directors, principal executive and financial officers will be posted on the "Investors-Corporate Governance" section of our website at www.mysizeid.com or will be included in a Current Report on Form 8-K, which we will file within four business days following the date of the amendment or waiver.

Governance and Nominations Committee

The members of the Corporate Governance and Nominations Committee are Mr. Levenberg and Mr. Gidansky. Our Board adopted a written charter for the Corporate Governance and Nominations Committee. The Corporate Governance and Nominations Committee develops, recommends and oversees implementation of corporate governance principles for the Company and considers recommendations for director nominees. The Corporate Governance and Nominations Committee also considers stockholder recommendations for director nominees that are properly received in accordance with applicable rules and regulations of the SEC.

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Director Nominations

We do not have a standing nominating committee. In accordance with Rule 5605(e)(2) of the NASDAQ rules, a majority of the independent directors may recommend a director nominee for selection by the Board. The Board believes that the independent directors can satisfactorily carry out the responsibility of properly selecting or approving director nominees without the formation of a standing nominating committee. The directors who shall participate in the consideration and recommendation of director nominees are Messrs. Levenberg and Gidansky. In accordance with NASDAQ rule 5605(e)(1)(a), Messrs. Levenberg and Gidansky and Ms. Herman are currently independent, and Mr. Branitzky will be independent. As there is no standing nominating committee, we do not have a nominating committee charter in place.

The board of directors will also consider director candidates recommended for nomination by our stockholders during such times as they are seeking proposed nominees to stand for election at the next annual meeting of stockholders (or, if applicable, a special meeting of stockholders). Our stockholders that wish to nominate a director for election to the Board should follow the procedures set forth in our bylaws.

Although we do not require separation of the offices of the Chairman of the Board and Chief Executive Officer, we currently have a different person serving in each such role — Mr. Wallis is our Chairman, and Mr. Luzon is our Chief Executive Officer. The decision whether to combine or separate these positions depends on what our Board deems to be in the long term interest of stockholders in light of prevailing circumstances. The separation of duties provides strong leadership for the Board while allowing the Chief Executive Officer to be the leader of the Company, focusing on its customers, employees, and operations. Our Board of Directors believes the Company is well-served by this flexible leadership structure and that the combination or separation of these positions should continue to be considered on an ongoing basis.

Item 11 - Executive Compensation

Summary Compensation Table

The following sets forth the compensation paid by My Size, Inc. to our principal executive officers, during the periods ending December 31, 2015 and December 31, 2016.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Warrant/Option Awards (\$)	NonEquity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$) ⁽¹⁾
Ronen Luzon <i>Chief Executive Officer, Secretary and Treasurer</i>	2016	77,000	0	0	0	0	0	0	77,000
	2015	0	0	0	0	0	0	0	0
Billy Pardo <i>Chief Product Officer</i>	2016	119,000	0	0	0	0	0	0	119,000
	2015	85,000	0	0	0	0	0	0	85,000

Narrative disclosure to Summary Compensation Table

- (1) The exchange rate is determined on the last day of the Company’s fiscal year. As such, all Israeli new shekel, or NIS, amounts have been translated into U.S dollars at the December 31, 2016 noon buying rate in the City of New York for cable transfers of NIS as certified for customs purposes by the Federal Reserve Bank of New York, being US\$1.00 = NIS 3.845.

Outstanding Equity Awards at Fiscal Year-End

Our executive officers did not hold any options or other unvested equity awards as of December 31, 2016.

Director Compensation

Name and Principal Position	Year	Salary	Bonus	Stock Awards	Warrant/Option Awards	Non-Equity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings	All Other Compensation	Total ⁽¹⁾
Eli Wallis – Chairman of the Board	2016	\$ 115,000	0	0	0	0	0	0	\$ 115,000
Shoshana Herman – Director ⁽²⁾	2016	\$ 16,464	0	0	0	0	0	0	\$ 16,464
Zeev Levenberg – External Director ⁽³⁾	2016	\$ 15,576	0	0	0	0	0	0	\$ 15,576
Moshe Gidansky – External Director ⁽⁴⁾	2016	\$ 16,464	0	0	0	0	0	0	\$ 16,464

Narrative disclosure to Director Compensation Table

- (1) The exchange rate is determined on the last day of the Company’s fiscal year. As such, all Israeli new shekel, or NIS, amounts have been translated into U.S dollars at the December 31, 2016 noon buying rate in the City of New York for cable transfers of NIS as certified for customs purposes by the Federal Reserve Bank of New York, being US\$1.00 = NIS 3.845.
- (2) Mrs. Herman’s 2016 compensation consists of director’s compensation of \$8,736 USD per annum and \$555 per meeting (33,588 NIS per annum + 2,134 NIS per meeting).
- (3) Mr. Levenberg’s 2016 compensation consists of director’s compensation of \$8,736 USD per annum and \$555 per meeting (33,588 NIS per annum + 2,134 NIS per meeting).
- (4) Mr. Gidansky’s 2016 compensation consists of \$8,736 USD per annum and \$555 USD per meeting (33,588 NIS per annum + 2,134 NIS per meeting).

Item 12 - Security Ownership of Certain Beneficial Owners and management and Related Stockholder matters

The following table lists, as of April 12, 2017, the number of shares of common stock of our Company that are beneficially owned by (i) each person or entity known to our Company to be the beneficial owner of more than 5% of the outstanding common stock; and (ii) each officer and director of our Company; Information relating to beneficial ownership of common stock by our principal shareholders and management is based upon information furnished by each person using “beneficial ownership” concepts under the rules of the Securities and Exchange Commission. Under these rules, a person is deemed to be a beneficial owner of a security if that person has or shares voting power, which includes the power to vote or direct the voting of the security, or investment power, which includes the power to vote or direct the voting of the security. The person is also deemed to be a beneficial owner of any security of which that person has a right to acquire beneficial ownership within 60 days. Under the Securities and Exchange Commission rules, more than one person may be deemed to be a beneficial owner of the same securities, and a person may be deemed to be a beneficial owner of securities as to which he or she may not have any pecuniary beneficial interest. Except as noted below, each person has sole voting and investment power.

Name of Beneficial Owner	Amount of Beneficial Ownership	Percent of Class*
Shoshana Zigdon	3,500,000	19.88%
Israel Levi	1,462,003	8.30%
Directors and Officers		
Eliyahu Walles	0	0
Ronen Luzon	1,755,950	9.97%
Or Kles	0	0
Oded Shoshan	0	0
Billy Pardo	0	0
Zeev Lavenberg	0	0
Moshe Gedansky	0	0
Shoshana Herman	0	0
Officers and directors as a group (8 persons)	1,755,950	9.97%

Item 13 - Certain Relationships and Related Transactions, and Director Independence

Our Chief Technology Officer, Oded Shoshan, is compensated pursuant to a technology consulting agreement between the Company and Monkeytech Ltd. Mr. Shoshan is the chief executive officer and owner of Monkeytech Ltd. Mr. Shoshan owns less than 50% of Monkeytech Ltd. In 2016, the Company paid Monkeytech, Ltd. approximately \$118,000 in consulting fees.

Prior to and during 2013 Asher Shmuelevitch a former controlling shareholder loaned the Company \$268,000. These loans bear no interest and have no maturity date. On January 5, 2014, an amount of \$ 71,000 of the loan balance was converted to 2,487,000 Common stock of the Company, at a conversion price of 0.1 NIS. The rest of the loan balance was waived to the Company by its controlling stockholders.

In February 2014, the Company entered into a Purchase Agreement (the "Agreement") with Shoshana Zigdon ("Seller"), relating to the acquisition of certain rights in a venture for the accumulation of physical data of human beings by portable electronic devices (including smart phones, tablets and other portable devices) for the purpose of locating, based on the accumulated data, articles of clothing in internet apparel stores, which will fit the person whose measurements were so accumulated (the "Venture"). Prior to entering into the Agreement, in January 2014, the Agreement was approved by shareholders of the Company as the Seller was also a beneficial owner of over 20% of the Company.

Pursuant to the Agreement, the Company purchased the all of Seller's rights, title and interest in and to the Venture, including but not limited to, the method (the "Method") and the certain patent application that had been filed by Seller (PCT/IL2013/050056) (the "Patent", and collectively with the Method, the "Assets").

In consideration for the sale of the Assets, the Company agreed to pay to Seller, 18% of the Company's operating profit, directly or indirectly connected with the Venture and/or the Method and/or the commercialization of the Patent together with Value-added tax ("VAT") in accordance with the law (the "Consideration") for a period of 7 years from the end of the development period of the Venture. The parties further agreed that Seller's right to receive the Consideration will apply even in the event the Patent is revoked/rejected/expires and/or the non-receipt of the Patent for any reason. Down payments on account of the Consideration are to be paid to the Seller once quarterly, within 14 days from the approval of the reviewed financial reports of the Company, with the exception of the fourth quarter which will be paid after the approval of the audited financial reports of the Company. Payment will be made against a duly issued tax invoice as prescribed by law.

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Item 14 - Principal Accounting Fees and Services

The aggregate fees billed during the year ended December 31, 2016 and 2015 for professional services rendered by Weinberg & Baer LLC, prior auditors, and Somekh Chaikin, the new auditors, for the audit of financial statements, quarterly reviews of our interim financial statements and services normally provided by the independent accountant in connection with statutory and regulatory filings or engagements for these periods were as follows:

	2015	2016
Weinberg & Baer LLC	\$ 20,500	\$ 20,500
Somekh Chaikin	-	\$ 35,000

Item 15 - Exhibits, Financial Statement Schedules

(a) Financial Statements

The financial statements required by this Item are included beginning at page F-1.

(b) Exhibits

3.1	Amended and Restated Certificate of Incorporation**
3.2	Bylaws*
10.1	In Situ Trucco agreement*
10.2	Venture Agreement with Shoshana Zigdon*
10.3	Consulting Agreement with PNO Polska S.P.Z.O.O.****
10.4	Securities Purchase Agreement, dated February 13, 2017*****
10.5	My Size, Inc. 2017 Equity Incentive Plan***
10.6	My Size, Inc. 2017 Consultant Equity Incentive Plan***
21.1	List of Subsidiaries****
23.1	Consent of Somekh Chaikin****
23.2	Consent of Weinberg & Baer LLC****
31.1	Certification of Principal Executive Officer pursuant to 18 U.S.C Section 1350, as adopted Section 302 of the Sarbanes-Oxley Act of 2002. ****
31.2	Certification of Principal Financial Officer pursuant to 18 U.S.C Section 1350, as adopted Section 302 of the Sarbanes-Oxley Act of 2002. ****
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. ****
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. ****
101.INS	XBRL Instance Document****
101.SCH	XBRL Taxonomy Schema****
101.CAL	XBRL Taxonomy Calculation Linkbase****
101.DEF	XBRL Taxonomy Definition Linkbase****
101.LAB	XBRL Taxonomy Label Linkbase****
101.PRE	XBRL Taxonomy Presentation Linkbase****

* Incorporated by reference to the Company's Annual Report on Form 10-K filed with the SEC on March 4, 2016.

SIGNATURES

Pursuant to the requirements of Section 13 and 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this annual report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

MY SIZE, INC.

/s/ Ronen Luzon
Ronen Luzon
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1934, this annual report on Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Ronen Luzon</u> Ronen Luzon	Chief Executive Officer, Director, Secretary, Treasurer (principal executive officer)	April 14, 2017
<u>/s/ Or Kles</u> Or Kles	Chief Financial Officer (principal financial and accounting officer)	April 14, 2017
<u>/s/ Eli Walles</u> Eli Walles	Chairman of the Board of Directors	April 14, 2017
<u>/s/ Zeev Lavenberg</u> Zeev Lavenberg	Director	April 14, 2017
<u>/s/ Moshe Gedansky</u> Moshe Gedansky	Director	April 14, 2017
<u>/s/ Oron Branitzky</u> Oron Branitzky	Director	April 14, 2017

EX-10.3 2 fl0k2016ex10iii_mysizeinc.htm CONSULTING AGREEMENT WITH PNO POLSKA S.P.Z.O.O.

Exhibit 10.3

Contract for consulting services regarding the preparation of public funding applications

concluded on 01. February 2017 between:

"My Size Inc."

Address : _____

Business Registration Number,

hereinafter the **"Orderer"**

represented by:

Mr. Ronen Luzon, CEO

(the Orderer is in an establishment process to be completed)

and

PNO Polska Sp. z o.o.

headquartered in Warsaw,

Al. Jerozolimskie 101/11, 02-011,

listed in the Register of Entrepreneurs of the National Court Register in the District Court for the Capital City of Warsaw, XIII Economic Division, under the number 0000226635, a VAT payer, NIP Business Registration Number 107-00-19-815,

hereinafter **"Contractor"** or **"PNO"**

represented by:

Tomasz J. Hoffmann

hereinafter also the **"Parties."**

§ 1 SUBJECT OF THE CONTRACT

The subject of the Contract is the provision of consulting services by PNO regarding the preparation of funding applications for projects which are going to be presented by the Orderer and will be assessed by PNO as eligible to apply for funding. Parties are aiming to receive 80% grant for CAPEX and cost of establishing a R&D centre for the Orderer to be conducted by a Polish entity in Poland

§ 2 SCOPE OF THE TASKS

1. In the course of the cooperation PNO shall carry out the tasks required for preparation of a high-quality complete application for UE grants, that will be submitted within the set time limit to the relevant Implementing Institution. The tasks will also include the following:
 - Preparation of and managing the application process;
 - if the feasibility study (business plan) is needed, PNO shall prepare the feasibility study (business plan) for the application purposes on the basis of financial and technical information (consisting of i.a. analysis of the investment impact on the environment and essential technical data) provided by Orderer
 - assisting the Orderer in the course of preparing correspondence to the Implementing Institutions until the information of the EU grant being awarded is received;
 - assistance at the stage of signing the EU grant contract and consultancy as regards the proposed terms of said contract proposed (in the case of a positive decision and awarding the grant);
 - managing the grant compliance during entire project realisation
2. Services provided by the Contractor shall be carried out in Polish and English.

§ 3 REMUNERATION AND PAYMENTS

1. For the satisfactory performance of the services determined in § 1 and in the scope determined in § 2, PNO Consultants shall receive from the Orderer remuneration in the amount of:

Fixed fee: 10'000,00 EUR (say: ten thousand) for the first project, and extra 5'000,00 EUR (say: five thousand) for the each new following project if ordered by Orderer;

Success fee: the amount of the success fee remuneration will be calculated as 10% on the subsidised aid;

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2. Remuneration described in § 3 pt. 1 will be paid to PNO, to provided bank account number within 14 days after properly issued VAT invoice in the following way:

a) Remuneration for the preparation of the application documentation ("**fixed fee**") will be payable in two instalments:

- a. first one amounting 5'000 EUR after signing this agreement at signing
- b. second one amounting 5'000 EUR after submitting the first application

Remuneration defined as "**success fee**" will be payable as follows :

(1) 55,000 Euro on the date of receiving a positive decision from the grant managing agency for example by publication of grantor decision on its website;

(2) the remaining success fee - minus the amount of 181,000 EURO – shall be paid by 36 equal consecutive monthly instalments , the first of which shall be paid 7 days after the date of receiving the first instalments of the grant.

b) Remuneration defined as "**monthly fee**" will be payable for the each single project, at the end of each month between start and end of project realisation.

§4 GENERAL RULES REGARDING THE REMUNERATION

1. Remuneration in the form of a success fee is payable to PNO Consultants only if the Orderer actually receives the grant after obtaining a decision regarding the grant from the responsible institution.
2. If the application will be left without consideration by the appropriate institution because of the formal error at the stage of preparing the application by the Contractor, PNO will prepare for the Orderer without fixed fee a new application for the purpose of renewed submitting at next application round announced for the appropriate Programme, only after it has been consulted with the Orderer.
3. If, the application will not be submitted due to the reasons attributed to the Orderer, or should the Orderer decide to withdraw the grant application after it has been submitted or assessed by the relevant Institution, the Orderer will reimburse PNO back all actual out of pocket costs incurred by the contractor, supported by documentation. The costs for the service will not exceed the amount of 49.000 PLN (say: forty nine thousand PLN).
4. The invoices issued by PNO Consultants are payable within 14 (say: fourteen) days from the date of receipt by the Orderer of a properly issued VAT invoice. The Orderer shall immediately inform PNO Consultants of the decision regarding the granting of external funding (in a written form).

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5. If it is necessary to prepare expert opinions for the sake of application documentation (e.g. analysis of the investment impact on the environment, opinion on innovation, essential technical data, etc.), their costs shall be covered by the Orderer. Such costs will be agreed with the Ordered.
6. Remuneration due to the Contractor shall be increased by due VAT.
7. PNO reserves the right to calculate statutory interest for the delay in remuneration payment by the Orderer.
8. All payments shall be made in PLN. Amounts in other currency shall be converted to PLN in accordance with the average exchange rate of the Polish National Bank, valid on the day the VAT invoice is issued.

§ 5 ADDITIONAL PROVISIONS

1. The Contractor shall carry out the tasks entrusted to him by the Orderer with due diligence and care, using his knowledge and professional skills as well as practical experience.
2. The Orderer shall provide, as instructed by the Contractor, all information and/or documents, necessary for the satisfactory performance of this Contract by the Contractor. The Orderer shall provide services on the basis of the above-mentioned information and documents and the answers provided by the Orderer to Contractor's questions. The Contractor shall not bear any responsibility for the damage resulting from the Orderer's failure to provide such information, the provision of information contrary to the facts or in any other way defective.
3. The Orderer shall provide copies of all correspondence obtained from or sent to the Implementing Institution at the Application Stage.
4. In order to maintain high quality services and engagement of the parties in the satisfactory performance of this contract, each party shall inform the other party of each incident of negligence or breach of the provisions hereof within a week from its occurrence.
5. On the event of any future circumstances, which are not covered by the present contract fully or in part, the Parties shall undertake joint actions in order to find a solution which will in the best possible way fit the nature, period and goals of the present contract.

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6. Final version of the application with attachments prepared by the Contractor shall be sent by the Contractor to the Orderer by means of electronic communication. The Orderer shall confirm reception and, should the need arise, verification of the final documentation in writing.
7. In order to improve the communication during the project execution, the Orderer shall designate a person to coordinate the project on his part (Project Coordinator). The Project Coordinator together with the Project Manager on the part of the Contractor shall manage the work and human resources on the part of the Orderer, conduct teleconferences supervising the course and progress of the Project implementation.

§ 6 CONFIDENTIALITY CLAUSE

1. PNO agrees that all information disclosed by the Orderer to PNO whether oral, visual or in writing, including by way of illustration but not limited to, all specifications, formulas, prototypes, computer programs and all records, data, ideas, methods, techniques, processes and projections, plans, marketing information, materials, financial statements, memoranda, analyses, notes, legal documents and other data and information (in whatever form), as well as improvements, patents (whether pending or duly registered) and any know-how related thereto, relating to the Purpose and information learned by PNO from the Orderer that relates to the Purpose, or third-party confidential information disclosed to PNO by the Orderer. The terms and conditions of this Section 1 will be considered and referred to collectively in this Agreement as "**Confidential Information**". Notwithstanding, Confidential Information, shall not include information that: (i) is now or subsequently becomes generally available in the public domain through no fault or breach on the part of PNO; (ii) PNO can demonstrate in its records to have had rightfully in its possession prior to disclosure of the Confidential Information by the Orderer to PNO; (iii) PNO rightfully obtains from a third party who has the right to transfer or disclose it, without default or breach of this Agreement; or (iv) is disclosed pursuant to the order or requirement of a court, administrative agency, or other governmental body; provided, however, that PNO shall make the best effort to provide prompt notice of such court order or requirement to the Orderer to enable the Orderer to seek a protective order or otherwise prevent or restrict such disclosure.
2. **Non-disclosure and Non-use of Confidential Information.** PNO agrees to accept and use Confidential Information solely for the Purpose. PNO will not disclose, publish, or disseminate Confidential Information to any third party other than those of its, executive officers, directors, accountants, attorneys and employees with a need to know ("**Representatives**"), and PNO agrees to take reasonable precautions to prevent any unauthorized use, disclosure, publication, or dissemination of Confidential Information and ensures that such Representatives fully perform the duties and obligations hereunder and to this end shall obtain appropriate written agreements with such Representatives, but in any event PNO agrees to be responsible for any use or disclosure of Confidential Information of any of its said Representatives. PNO agrees not to use Confidential Information otherwise for its own or any third party's benefit without the prior written approval of an authorized representative of the Orderer in each instance. In performing its duties and obligations hereunder, PNO agrees to use at least the same degree of care as it does with respect to its own confidential information of like importance but, in any event, at least reasonable care. Further, PNO agrees that it shall not make any copies of the Confidential Information on any type of media, without the prior express written permission of the authorized representative of the Orderer.

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§ 7 NOTICES

1. All notices or declarations affecting the term of this Contract shall be delivered via registered mail or courier, and the exchange of other information associated with the satisfactory performance hereof shall be in writing and via electronic mail.
2. The Contractor shall designate persons responsible for the exchange of information associated with the execution hereof who are responsible for the technical coordination of the activities in question.
3. Current correspondence may be exchanged via e-mail and fax.

§ 8 CHANGES OF THE CONTRACT

§ 9 COPIES OF THE CONTRACT

The Contract has been made in two counterparts, one for each Party.

§ 10 FINAL PROVISIONS

1. In all matters not settled herein the Polish Civil Code provisions shall apply.
2. The present contract may be terminated with a 3-month notice period.
3. Any disputes that may arise out of the interpretation or performance of the provisions hereof or in connection with the Contract shall be submitted by the parties for the resolution by the common court having jurisdiction over the Contractor's seat.

& 11 Resigning the Contract

1. The Contractor is aware that the Orderer was not established yet, and therefore, immediately after the said establishment shall be completed, the Orderer and the Contractor shall resign this Contract once again.

Orderer

Contractor

SECURITIES PURCHASE AGREEMENT

This Securities Purchase Agreement (this "Agreement") is dated as February 13 2017, between My Size, Inc. a Delaware corporation (the "Company"), and each purchaser identified on the signature pages hereto (each, including its successors and assigns, a "Purchaser" and collectively, the "Purchasers").

WHEREAS, subject to the terms and conditions set forth in this Agreement and pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "Securities Act") as to the Shares, the Company desires to issue and sell to each Purchaser, and each Purchaser, severally and not jointly, desires to purchase from the Company, securities of the Company as more fully described in this Agreement.

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained in this Agreement, and for other good and valuable consideration the receipt and adequacy of which are hereby acknowledged, the Company and each Purchaser agrees as follows:

**ARTICLE I
DEFINITIONS**

1.1 Definitions. In addition to the terms defined elsewhere in this Agreement, for all purposes of this Agreement, the following terms have the meanings set forth in this Section 1.1:

"Acquiring Person" shall have the meaning ascribed to such term in Section 4.5.

"Action" shall have the meaning ascribed to such term in Section 3.1(j).

"Affiliate" means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person as such terms are used in and construed under Rule 405 under the Securities Act.

"Board of Directors" means the board of directors of the Company.

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

"Closing" means the closing of the purchase and sale of the Shares pursuant to Section 2.1.

"Closing Date" means the Trading Day on which all of the Transaction Documents have been executed and delivered by the applicable parties thereto, and all conditions precedent to (i) the Purchaser's obligations to pay the Subscription Amount and (ii) the Company's obligations to deliver the Shares, in each case, have been satisfied or waived, but in no event later than the third Trading Day following the date hereof.

"Commission" means the United States Securities and Exchange Commission.

"Common Stock" means the common stock of the Company, par value \$0.001 per share, and any other class of securities into which such securities may hereafter be reclassified or changed.

"Company Counsel" means Sheppard Mullin Richter & Hampton LLC with offices located at 30 Rockefeller Plaza 39th Floor, New York, NY 10012.

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

"GAAP" shall have the meaning ascribed to such term in Section 3.1(h).

"Insolvent" shall have the meaning ascribed to such term in Section 3.1(i)(ii).

"Intellectual Property Rights" shall have the meaning ascribed to such term in Section 3.1(o).

"Irrevocable Transfer Agent Instructions" shall have the meaning ascribed to such term in Section 2.2(a)(ii).

“Liens” means a lien, charge, security interest, encumbrance, right of first refusal, preemptive right or other restriction.

“Material Adverse Effect” shall have the meaning assigned to such term in Section 3.1(b).

“Material Permits” shall have the meaning ascribed to such term in Section 3.1(m).

“Per Share Purchase Price” equals \$1.00, subject to adjustment for reverse and forward stock splits, stock dividends, stock combinations and other similar transactions of the Common Stock that occur after the date of this Agreement.

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

“Proceeding” means an action, claim, suit, investigation or proceeding (including, without limitation, an informal investigation or partial proceeding, such as a deposition), whether commenced or threatened.

“Purchaser Party” shall have the meaning ascribed to such term in Section 4.8.

“Registration Statement” means the registration statement to be filed with the Commission registering the Shares being sold herein to the Purchaser.

“Required Approvals” shall have the meaning ascribed to such term in Section 3.1(e).

“Rule 144” means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

“SEC Reports” shall have the meaning ascribed to such term in Section 3.1(h).

“Securities” means the Shares of Common Stock.

“Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“Shares” means the shares of Common Stock issued or issuable to each Purchaser pursuant to this Agreement.

“Short Sales” means all “short sales” as defined in Rule 200 of Regulation SHO under the Exchange Act (but shall not be deemed to include the location and/or reservation of borrowable shares of Common Stock).

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“Subscription Amount” means, as to each Purchaser, the aggregate amount to be paid for Shares, as specified below such Purchaser’s name on the signature pages of this Agreement and next to the heading “Subscription Amount,” in United States dollars and in immediately available funds.

“Subsidiary” means any subsidiary of the Company, and shall, where applicable, also include any direct or indirect subsidiary of the Company formed or acquired after the date hereof.

“Termination Date” shall have the meaning ascribed to such term in Section 5.1.

“Trading Day” means a day on which the principal Trading Market is open for trading.

“Trading Market” means any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE AMEX, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange or the OTC Bulletin Board (or any successors to any of the foregoing).

“Transaction Documents” means this Agreement and any other documents or agreements executed in connection with the transactions contemplated hereunder.

“Transaction Warrants” means the purchase warrants delivered to the Purchasers at the Closing in accordance with Section 2.2 hereof.

“Transfer Agent” means VStock Transfer LLC, the current transfer agent of the Company, with a mailing address of 18 Lafayette Place, Woodmere, NY 11598 and any successor transfer agent of the Company.

ARTICLE II PURCHASE AND SALE

2.1 Closing. On the Closing Date, upon the terms and subject to the conditions set forth herein, substantially concurrent with the execution and delivery of this Agreement by the parties hereto, the Company agrees to sell, and each Purchaser, severally and not jointly, agrees to purchase that number of Shares specified below such Purchaser’s name on the signature pages of this Agreement. On the Closing Date, each Purchaser shall deliver to the Company via wire transfer, immediately available funds equal to its Subscription Amount as set forth on the signature page hereto executed by each Purchaser and the Company shall deliver to each Purchaser such number of Shares as determined pursuant to Section 2.2(a), and the Company and each Purchaser shall deliver the other items set forth in Section 2.2 deliverable at the Closing. Upon satisfaction of the covenants and conditions set forth in Sections 2.2 and 2.3, the Closing shall occur at the offices of Company Counsel or such other location as the parties shall mutually agree.

2.2 Deliveries.

(a) On or prior to the Closing Date, the Company shall deliver or cause to be delivered to each Purchaser this Agreement and each of the other Transaction Documents to which the Company is a party, each duly executed by the Company;

(b) On or prior to the Closing Date, each Purchaser shall deliver or cause to be delivered to the Company the following:

(i) this Agreement duly executed by such Purchaser; and

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(ii) such Purchaser's Subscription Amount for wire transfer to the account as specified in writing by the Company.

(iii) a Transaction Warrant registered in the name of Purchaser to purchase 250,000 (Two Hundred and Fifty Thousand) shares of Common Stock of the Company, with an exercise price of \$3.50 per share, exercisable for a period of 10 month from the closing Date;

2.3 Closing Conditions.

(a) The obligations of the Company hereunder in connection with the Closing are subject to the following conditions being met:

(i) the accuracy in all material respects on the Closing Date of the representations and warranties of each Purchaser contained herein (unless as of a specific date therein, which shall be accurate as of such date);

(ii) all obligations, covenants and agreements of each Purchaser required to be performed at or prior to the Closing Date shall have been performed; and

(iii) the delivery by each Purchaser of the items set forth in Section 2.2(b) of this Agreement.

(b) The respective obligations of each Purchaser hereunder in connection with the Closing are subject to the following conditions being met:

(i) the accuracy in all material respects when made and on the Closing Date of the representations and warranties of the Company contained herein (unless as of a specific date therein, which shall be accurate as of such date);

(ii) all obligations, covenants and agreements of the Company required to be performed at or prior to the Closing Date shall have been performed, including without limitation the issuance of all Shares prior to the Closing as required by the Transaction Documents;

(iii) the delivery by the Company of the items set forth in Section 2.2(a) of this Agreement;

(iv) there shall have been no event, change or development that has had, or would reasonably be expected to have, a Material Adverse Effect with respect to the Company since the date hereof;

(v) no statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority that prohibits the consummation of any of the transactions contemplated by the Transaction Documents, and no Proceedings shall be in progress or pending by any Person that seeks to enjoin, prohibit or otherwise adversely affect any of the transactions contemplated by the Transaction Documents;

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(vi) the Shares shall be designated for listing or quotation (as the case may be) on the Company's principal Trading Market; and

(vii) from the date hereof to the Closing Date, trading in the Common Stock shall not have been suspended by the Commission or the Company's principal Trading Market, and, at any time prior to the Closing Date, trading in securities generally as reported by Bloomberg L.P. shall not have been suspended or limited, or minimum prices shall not have been established on securities whose trades are reported by such service, or on any Trading Market, nor shall a banking moratorium have been declared either by the United States or New York State authorities nor shall there have occurred any national or international calamity of such magnitude in its effect on, or any material adverse change in, any financial market which, in each case, in the reasonable judgment of each Purchaser, makes it impracticable or inadvisable to purchase the Shares at the Closing.

ARTICLE III. REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of the Company. the Company hereby makes the following representations and warranties to each Purchaser:

(a) Subsidiaries. All of the direct and indirect Subsidiaries of the Company, and the place and form of organization of each Subsidiary are as set forth in the SEC Reports. Except for the capital stock of, or other equity or voting interests in, those Subsidiaries set forth in the SEC Reports, the Company does not own, directly or indirectly, any capital stock of, or other equity or voting interests in, any Person.

(b) Organization and Qualification. The Company and each of the Subsidiaries is an entity duly incorporated or otherwise organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, with the requisite power and authority to own and use its properties and assets and to carry on its business as currently conducted. Each of the Company and the Subsidiaries is duly qualified to conduct business and is in good standing as a foreign corporation or other entity in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, could not have or reasonably be expected to result in: (i) a material adverse effect on the legality, validity or enforceability of any Transaction Document, (ii) a material adverse effect on the results of operations, assets, business, prospects or condition (financial or otherwise) of the Company and the Subsidiaries, taken as a whole, or (iii) a material adverse effect on the Company's ability to perform in any material respect on a timely basis its obligations under any Transaction Document (any of (i), (ii) or (iii), a "Material Adverse Effect") and no Proceeding has been instituted in any such jurisdiction revoking, limiting or curtailing or seeking to revoke, limit or curtail such power and authority or qualification.

(c) Authorization; Enforcement. The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by each of the Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of each of the Transaction Documents by the Company and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of the Company and no further action or corporate proceeding is required by the Company, the Board of Directors or the Company's stockholders in connection therewith other than in connection with the Required Approvals. This Agreement has been duly and validly executed and delivered by the Company and is a valid and binding obligation of the Company, enforceable against it in accordance with its terms, except (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law. Each Transaction Document other than this Agreement to which the Company is a party has been (or upon delivery will have been) duly executed by the Company and, when delivered in accordance with the terms hereof and thereof, will constitute the valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

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(d) No Conflicts. The execution, delivery and performance by the Company of this Agreement and the other Transaction Documents to which it is a party, the issuance and sale of the Shares and the consummation by it of the transactions contemplated hereby and thereby do not and will not (i) conflict with or violate any provision of the Company's or any Subsidiary's certificate or articles of incorporation, bylaws or other organizational or charter documents, or (ii) conflict with, or constitute a default or breach (or an event that with notice or lapse of time or both would become a default or breach) under, result in the creation of any Lien upon any of the properties or assets of the Company or any Subsidiary, or give to others any rights of termination, amendment, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, credit facility, debt or other instrument (evidencing a Company or Subsidiary debt or otherwise), certificate, authorization, permit, license, or other understanding to which the Company or any Subsidiary is a party or by which any property or asset of the Company or any Subsidiary is bound or affected, or (iii) subject to the Required Approvals, conflict with or result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which the Company or a Subsidiary is subject (including federal and state securities laws and regulations), or by which any property or asset of the Company or a Subsidiary is bound or affected; except in the case of each of clauses (ii) and (iii), such as could not have or reasonably be expected to result in a Material Adverse Effect.

(e) Filings, Consents and Approvals. The Company is not required to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any court or other federal, state, local or other governmental authority or other Person, including any Trading Market or any shareholder approval under the provisions of the Company's principal Trading Market, in connection with the execution, delivery and performance by the Company of the Transaction Documents, other than: (i) the filings required pursuant to Section 4.3 of this Agreement, (ii) the filing with the Commission of the Registration Statement (iii) application(s) to each applicable Trading Market for the listing of the Shares for trading thereon in the time and manner required thereby, and (iv) such filings as are required to be made under applicable state securities laws (collectively, the "Required Approvals").

(f) Issuance of the Shares; Registration. The Shares and Transaction Warrants are duly authorized and, when issued and paid for in accordance with the applicable Transaction Documents, will be duly and validly issued, fully paid and nonassessable, free and clear of all Liens imposed by the Company. The Company has reserved from its duly authorized capital stock the maximum number of shares of Common Stock for issuance of the Shares and the Transaction Warrants. An S-3 or S-1 Registration Statement will be filed within 30 days of the date of this Agreement. At the time the Registration Statement and any amendments thereto became effective, at the date of this Agreement and at the Closing Date, the Registration Statement and any amendments thereto conformed and will conform in all material respects to the requirements of the Securities Act and did not and will not 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 not misleading. The issuance of the Shares pursuant to this Agreement will be registered pursuant to the Registration Statement.

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(g) Capitalization. The capitalization of the Company (including the authorized capital stock of the Company, the issued and outstanding shares of capital stock of the Company and the number of shares of capital stock of the Company is 17,405,359. The Company has not issued any capital stock since its most recently filed periodic report under the Exchange Act, other than pursuant to the exercise of employee stock options under the Company's stock option plans and pursuant to the conversion and/or exercise of Common Stock Equivalents outstanding as of the date of the most recently filed periodic report under the Exchange Act. No person has any right of first refusal, preemptive right, right of participation, or any similar right to participate in the transactions contemplated by the Transaction Documents. Except as a result of the purchase and sale of the Shares and as disclosed in the SEC Reports, there are no outstanding options, warrants, scrip rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities, rights or obligations convertible into or exercisable or exchangeable (or any other securities of the Company which, whether after notice, lapse of time, or payment of monies, are or would be convertible into or exchangeable or exercisable) for, or giving any Person any right to subscribe for or acquire, or any phantom stock or stock appreciation rights relating to, any shares of Common Stock or other capital stock of the Company, or contracts, commitments, understandings or arrangements by which the Company or any Subsidiary is or may become bound to issue additional shares of Common Stock or Common Stock Equivalents or other capital stock of the Company. The issuance and sale of the Shares will not obligate the Company to issue shares of Common Stock or other securities to any Person (other than the Purchaser). All of the outstanding shares of capital stock of the Company are duly authorized, validly issued, fully paid and nonassessable, have been issued in compliance with all federal and state securities laws, and none of such outstanding shares was issued in violation of any preemptive rights or similar rights to subscribe for or purchase securities. No further approval or authorization of any stockholder, the Board of Directors or others is required for the issuance and sale of the Shares. Except as disclosed in the SEC Reports, there are no stockholders agreements, voting agreements, "poison pill" or similar anti-takeover agreements or plans or other similar agreements with respect to the Company's capital stock to which the Company is a party or, to the knowledge of the Company, between or among any of the Company's stockholders.

(h) SEC Reports; Financial Statements. The Company has filed or furnished, as applicable, all reports, schedules, forms, statements and other documents required to be filed or furnished, as applicable, by the Company under the Securities Act and the Exchange Act, including pursuant to Section 13(a) or 15(d) thereof, for the two years preceding the date hereof (or such shorter period as the Company was required by law or regulation to file such material) (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, together with the Registration Statement and any amendments made thereto, being collectively referred to herein as the "SEC Reports") on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension. As of their respective dates, the SEC Reports complied in all material respects with the requirements of the Securities Act, the Exchange Act and the Sarbanes-Oxley Act of 2002, and any rules and regulations promulgated thereunder applicable to such SEC Report, as applicable, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. No Subsidiary of the Company is required to file or furnish any report, schedule, form, statement or other document with, or make any other filing with, or furnish any other material to, the Commission. The financial statements of the Company included in or incorporated by reference into the SEC Reports comply in all material respects with applicable accounting requirements and the rules and regulations of the Commission with respect thereto as in effect at the time of filing. Such financial statements have been prepared from, and are in accordance with the books and records of the Company and its Subsidiaries and have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis during the periods involved ("GAAP"), except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by GAAP, and fairly present in all material respects the consolidated financial position of the Company and its consolidated Subsidiaries as of and for the dates thereof and the results of operations, changes in stockholders' equity and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments.

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(i) Material Changes; Undisclosed Events, Liabilities or Developments.

(i) Since the date of the latest audited financial statements included within the SEC Reports, except as specifically disclosed in a subsequent SEC Report filed prior to the date hereof, (1) there has been no event, occurrence or development that has had or that could reasonably be expected to result in a Material Adverse Effect, (2) the Company has not incurred any liabilities (contingent or otherwise) other than (A) trade payables and accrued expenses incurred in the ordinary course of business consistent with past practice and (B) liabilities not required to be reflected in the Company's financial statements

pursuant to GAAP or disclosed by the Company under applicable securities laws at the time this representation is made, (3) the Company has not altered its method of accounting or the identity of its auditors, (4) the Company has not declared or made any dividend or distribution of cash or other property to its stockholders or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock, (5) the Company has not issued any equity securities to any officer, director or Affiliate, except pursuant to existing Company stock option plans, (6) the Company has not sold any assets outside of the ordinary course of business or (7) the Company has not made any material capital expenditures, individually or in the aggregate, outside of the ordinary course of business. The Company does not have pending before the Commission any request for confidential treatment of information. Except for the issuance of the Shares contemplated by this Agreement, no event, liability, fact, circumstance, occurrence or development has occurred or exists or is reasonably expected to occur or exist with respect to the Company, any of its Subsidiaries or any of their respective business, prospects, properties, liabilities, operations (including results thereof), assets or condition (financial or otherwise) that (x) would be required to be disclosed by the Company under applicable securities laws at the time this representation is made or deemed made that has not been publicly disclosed at least 3 Trading Days prior to the date that this representation is made, or (y) could reasonably be expected to result in a Material Adverse Effect.

(ii) The Company has not taken any steps to seek protection pursuant to any law or statute relating to bankruptcy, insolvency, reorganization, receivership, liquidation or winding up, nor does the Company have any knowledge or reason to believe that any of its creditors intend to initiate involuntary bankruptcy proceedings or any actual knowledge of any fact which would reasonably lead a creditor to do so. The Company is not, and after giving effect to the transactions contemplated by the Transaction Documents to occur at the Closing will not be, Insolvent (as defined below). “Insolvent” means, (x) the present fair saleable value of the Company’s assets is less than the amount required to pay the Company’s total indebtedness, (y) the Company is unable to pay its debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured or (z) the Company intends to incur or believes that it will incur debts that would be beyond its ability to pay as such debts mature. The Company has not engaged in any business or in any transaction, and is not about to engage in any business or in any transaction, for which the Company’s remaining assets constitute unreasonably small capital.

(j) Litigation. There is no action, suit, order, claim, litigation, inquiry, notice of violation, arbitration, mediation, proceeding or investigation pending or, to the knowledge of the Company, threatened against or affecting the Company, any Subsidiary or any of their respective properties before or by any court, arbitrator, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) (collectively, an “Action”) (i) that have had or would reasonably be expected to have a Material Adverse Effect or (ii) adversely affects or challenges the legality, validity or enforceability of any of the Transaction Documents or the Shares. Neither the Company nor any Subsidiary, nor any director or officer thereof, is or has been the subject of any Action involving a claim of violation of or liability under federal or state securities laws or a claim of breach of fiduciary duty. There has not been, and to the knowledge of the Company, there is not pending or contemplated, any investigation by the Commission involving the Company or any current or former director or officer of the Company. The Commission has not issued any stop order or other order suspending the effectiveness of any registration statement filed by the Company or any Subsidiary under the Exchange Act or the Securities Act. Neither the Company nor any of its Subsidiaries is subject to any order, writ, judgment or decree of a court, arbitrator, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) that has had or would reasonably be expected to have a Material Adverse Effect. Except as has not had and would not reasonably be expected to have a Material Adverse Effect, there is no investigation or review pending (or, to the knowledge of the Company, threatened) by any court, arbitrator, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) with respect to the Company or any of its Subsidiaries.

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(k) Labor Relations. No material labor dispute exists or, to the knowledge of the Company, is imminent with respect to any of the employees of the Company, which could reasonably be expected to result in a Material Adverse Effect.

(l) Compliance. Neither the Company nor any Subsidiary: (i) is in default under or in violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by the Company or any Subsidiary under), nor has the Company or any Subsidiary received notice of a claim that it is in default under or that it is in violation of, any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), (ii) is in violation of any judgment, decree or order of any court, arbitrator or governmental body or (iii) is or has been in violation of any statute, rule, ordinance or regulation of any governmental authority, including without limitation all foreign, federal, state and local laws relating to taxes, environmental protection, occupational health and safety, product quality and safety and employment and labor matters, except in each case as could not have or reasonably be expected to result in a Material Adverse Effect.

(m) Regulatory Permits. The Company and the Subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state, local or foreign regulatory authorities necessary to conduct their respective businesses as described in the SEC Reports, except where the failure to possess such permits could not reasonably be expected to result in a Material Adverse Effect (“Material Permits”), and neither the Company nor any Subsidiary has received any notice of proceedings relating to the revocation or modification of any Material Permit.

(n) Title to Assets. The Company and the Subsidiaries have good and marketable title in all personal property owned by them that is material to the business of the Company and the Subsidiaries, in each case free and clear of all Liens, except for Liens as do not materially affect the value of such property, do not materially interfere with the use made and proposed to be made of such property by the Company and the Subsidiaries, and Liens for the payment of federal, state or other taxes, the payment of which is neither delinquent nor subject to penalties. Any real property and facilities held under lease by the Company and the Subsidiaries which is material to the business of the Company and Subsidiaries are held by them under valid, subsisting and enforceable leases with which the Company and the Subsidiaries are in compliance.

(o) Patents and Trademarks. The Company and the Subsidiaries have, or have rights to use, all patents, patent applications, trademarks, trademark applications, service marks, trade names, trade secrets, inventions, copyrights, licenses and other intellectual property rights and similar rights, and all applications and registrations therefor, necessary or material to conduct their respective businesses as now conducted and as presently proposed to be conducted (collectively, the “Intellectual Property Rights”). None of, and neither the Company nor any Subsidiary has received a notice (written or otherwise) that any of, the Intellectual Property Rights has expired, terminated or been abandoned, or is expected to expire or terminate or be abandoned, within two (2) years from the date of this Agreement. Neither the Company nor any Subsidiary has received a written notice of a claim or otherwise has any knowledge that the Intellectual Property Rights violate or infringe upon the rights of any Person, except as disclosed in the SEC Reports. To the knowledge of the Company, all such Intellectual Property Rights are enforceable and there is no existing infringement by another Person of any of the Intellectual Property Rights. The Company and its Subsidiaries have taken reasonable security measures to protect the secrecy, confidentiality and value of all of their intellectual properties, except where failure to do so could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

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(p) Material Contracts. For purposes of this Agreement, “Material Contracts” means each outstanding contract or agreement to which the Company or any of its Subsidiaries is a party, which is or would be required to be filed by the Company as a “material contract” pursuant to Item 601(b)(4) or Item 601(b)(10) of Regulation S-K under the Securities Act. Except as has not had and would not reasonably be expected to have a Material Adverse Effect, (i) each Material Contract is in full force and effect (except for those contracts or agreements that have expired in accordance with their terms), is a legal, valid and binding agreement of the Company or such Subsidiary, as the case may be, and, to the knowledge of the Company, of each other party thereto, enforceable against the Company or such Subsidiary, as the case may be, and, to the knowledge of the Company, against the other party or parties thereto, in each case, in accordance with its terms, except (x) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors’ rights generally, (y) as limited by laws relating to the

availability of specific performance, injunctive relief or other equitable remedies and (z) insofar as indemnification provisions may be limited by applicable law, (ii) each of the Company and its Subsidiaries has performed or is performing all obligations required to be performed by it under the Material Contracts and is not (with or without notice or lapse of time or both) in breach or default thereunder, and has not knowingly waived or failed to enforce any rights or benefits thereunder (other than in the ordinary course of business consistent with past practice), and, (iii) to the knowledge of the Company, no other party to any of the Material Contracts is (with or without notice or lapse of time or both) in breach in any material respect or default thereunder.

(q) Transactions With Affiliates and Employees. Except as set forth in the SEC Reports, none of the officers or directors of the Company and, to the knowledge of the Company, none of the employees of the Company is presently a party to any transaction with the Company or any Subsidiary (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner, in each case in excess of \$120,000 other than for (i) payment of salary or consulting fees for services rendered, (ii) reimbursement for expenses incurred on behalf of the Company in the ordinary course of business and (iii) other employee benefits, including stock option agreements under any stock option plan of the Company.

(s) Sarbanes-Oxley. The Company is in compliance with any and all applicable requirements of the Sarbanes-Oxley Act of 2002 that are effective as of the date hereof, and any and all applicable rules and regulations promulgated by the Commission thereunder that are effective as of the date hereof and as of the Closing Date.

(t) Certain Fees. No brokerage or finder's fees or commissions are or will be payable by the Company to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other Person with respect to the transactions contemplated by the Transaction Documents. The Purchaser shall have no obligation with respect to any fees or with respect to any claims made by or on behalf of other Persons for fees of a type contemplated in this Section that may be due in connection with the transactions contemplated by the Transaction Documents.

(u) Investment Company. The Company is not, and is not an Affiliate of, and immediately after receipt of payment for the Shares, will not be or be an Affiliate of, an "investment company" within the meaning of the Investment Company Act of 1940, as amended. The Company shall conduct its business in a manner so that it will not become an "investment company" subject to registration under the Investment Company Act of 1940, as amended.

(v) Listing and Maintenance Requirements. The Company has not, in the 12 months preceding the date hereof, received notice from any Trading Market on which the Common Stock is or has been listed or quoted to the effect that the Company is not in compliance with the listing or maintenance requirements of such Trading Market. The Company is, and has no reason to believe that it will not in the foreseeable future continue to be, in compliance with all such listing and maintenance requirements.

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(w) Disclosure. Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents, the Company confirms that neither it nor any other Person acting on its behalf has provided any of the Purchasers or their agents or counsel with any information that it believes constitutes or might constitute material, non-public information. The Company understands and confirms that the Purchasers will rely on the foregoing representation in effecting transactions in securities of the Company. All of the disclosure furnished by or on behalf of the Company to the Purchasers regarding the Company, its business and the transactions contemplated hereby is true and correct and does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. The press releases disseminated by the Company during the twelve months preceding the date of this Agreement taken as a whole do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made and when made, not misleading. The Company acknowledges and agrees that no Purchaser makes or has made any representations or warranties with respect to the transactions contemplated hereby other than those specifically set forth in Section 3.2 hereof.

(x) No Integrated Offering. Assuming the accuracy of the Purchasers' representations and warranties set forth in Section 3.2, neither the Company, nor any of its Affiliates, nor any Person acting on its or their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would cause this offering of the Shares to be integrated with prior offerings by the Company for purposes of any applicable shareholder approval provisions of any Trading Market on which any of the securities of the Company are listed or designated.

(y) Tax Status. Except for matters that would not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect, the Company and each Subsidiary (i) has made or filed all United States federal and state income and all foreign income and franchise tax returns, reports and declarations required by any jurisdiction to which it is subject, (ii) has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations and (iii) has set aside on its books provision reasonably adequate for the payment of all material taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company or of any Subsidiary know of no basis for any such claim.

(z) Foreign Corrupt Practices. Neither the Company, nor to the knowledge of the Company, any agent or other person acting on behalf of the Company, has (i) directly or indirectly, used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses related to foreign or domestic political activity, (ii) made any unlawful payment to foreign or domestic government officials or employees or to any foreign or domestic political parties or campaigns from corporate funds, (iii) failed to disclose fully any contribution made by the Company (or made by any person acting on its behalf of which the Company is aware) which is in violation of law, or (iv) violated in any material respect any provision of the Foreign Corrupt Practices Act of 1977, as amended.

(a) Office of Foreign Asset Control. Except as has not had and would not reasonably be expected to have a Material Adverse Effect, there is not, and has not been, any pending or, to the Company's knowledge, threatened, legal, administrative, arbitral or other material proceeding, investigation (formal or informal), litigation, claim, suit or action by any governmental entity against the Company or any of its Subsidiaries, nor is there any judgment, order or decree imposed (or, to the knowledge of the Company, threatened to be imposed) upon the Company or any of its Subsidiaries by or before any governmental entity, in each case, in connection with an alleged violation of laws relating to the import or export (including deemed export) of data, goods or services to any foreign jurisdiction against which the United States or the United Nations maintains sanctions or export controls, including applicable regulations of the United States Department of Commerce, the United States Department of State and the Office of Foreign Asset Control of the United States Department of Treasury.

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(aa) Acknowledgment Regarding Purchasers' Purchase of Shares. The Company acknowledges and agrees that each of the Purchasers is acting solely in the capacity of an arm's length purchaser with respect to the Transaction Documents and the transactions contemplated thereby. The Company further acknowledges that no Purchaser is acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to the Transaction Documents and the transactions contemplated thereby and any advice given by any Purchaser or any of their respective representatives or

agents in connection with the Transaction Documents and the Company's decision to enter into this Agreement and the other Transaction Documents has been based solely on the independent evaluation of the transactions contemplated hereby by the Company and its representatives.

(bb) Acknowledgement Regarding Purchasers' Trading Activity. Anything in this Agreement or elsewhere herein to the contrary notwithstanding (except for Sections 3.2(d) and 4.11 hereof), it is understood and acknowledged by the Company that: (i) none of the Purchasers has been asked by the Company to agree, nor has any Purchaser agreed, to desist from purchasing or selling, long and/or short, securities of the Company, or "derivative" securities based on securities issued by the Company or to hold the Shares for any specified term; (ii) past or future open market or other transactions by any Purchaser, specifically including, without limitation, Short Sales or "derivative" transactions, before or after the closing of this or future private placement transactions, may negatively impact the market price of the Company's publicly-traded securities; (iii) any Purchaser, and counter-parties in "derivative" transactions to which such Purchaser is a party, directly or indirectly, presently may have a "short" position in the Common Stock, and (iv) each Purchaser shall not be deemed to have any affiliation with or control over any arm's length counter-party in any "derivative" transaction. The Company further understands and acknowledges that (y) each Purchaser may engage in hedging activities at various times during the period that the Shares are outstanding, and (z) such hedging activities (if any) could reduce the value of the existing stockholders' equity interests in the Company at and after the time that the hedging activities are being conducted. The Company acknowledges that such aforementioned hedging activities do not constitute a breach of any of the Transaction Documents.

(cc) Regulation M Compliance. The Company has not, and to its knowledge no one acting on its behalf has, (i) taken, directly or indirectly, any action designed to cause or to result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any of the Shares, (ii) sold, bid for, purchased, or, paid any compensation for soliciting purchases of, any of the Shares, or (iii) paid or agreed to pay to any Person any compensation for soliciting another to purchase any other securities of the Company.

(dd) Internal Accounting and Disclosure Controls. Except as disclosed in the SEC Reports, the Company and each of its Subsidiaries maintains internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) that is effective and sufficient to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, including that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset and liability accountability, (iii) access to assets or incurrence of liabilities is permitted only in accordance with management's general or specific authorization and (iv) the recorded accountability for assets and liabilities is compared with the existing assets and liabilities at reasonable intervals and appropriate action is taken with respect to any difference. Except as disclosed in the SEC Reports, the Company maintains disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act) that are effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the Commission, including, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive officer or officers and its principal financial officer or officers, as appropriate, to allow timely decisions regarding required disclosure.

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(ee) Off Balance Sheet Arrangements. There is no transaction, arrangement, or other relationship between the Company or any of its Subsidiaries and an unconsolidated or other off balance sheet entity that is required to be disclosed by the Company in its Exchange Act filings and is not so disclosed or that otherwise could reasonably be expected to result in a Material Adverse Effect.

(ff) Private Placement. Assuming the accuracy of the Purchasers' representations and warranties set forth in Section 3.2, no registration under the Securities Act is required for the offer and sale of the Shares by the Company to the Purchasers as contemplated hereby. The issuance and sale of the Shares hereunder does not contravene the rules and regulations of the Trading Market.

3.2 Representations and Warranties of the Purchasers. Each Purchaser, for itself, hereby represents and warrants as of the date hereof and as of the Closing Date to the Company as follows (unless as of a specific date therein):

(a) Organization; Authority. Such Purchaser is an entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization with full right, corporate or partnership power and authority to enter into and to consummate the transactions contemplated by this Agreement and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and performance by such Purchaser of the transactions contemplated by this Agreement have been duly authorized by all necessary corporate, partnership, limited liability company or similar action, as applicable, on the part of such Purchaser. This Agreement has been duly and validly executed and delivered by such Purchaser, and is a valid and binding obligation of such Purchaser, enforceable against it in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law. Each Transaction Document to which it is a party has been duly executed by such Purchaser, and when delivered by such Purchaser in accordance with the terms hereof, will constitute the valid and binding obligation of such Purchaser, enforceable against it in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(b) Purchaser Status. At the time such Purchaser was offered the Shares, it was, and as of the date hereof it is, either: (i) an "accredited investor" as defined in Rule 501(a)(1), (a)(2), (a)(3), (a)(7) or (a)(8) under the Securities Act or (ii) a "qualified institutional buyer" as defined in Rule 144A(a) under the Securities Act.

(c) Experience of such Purchaser. Such Purchaser, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Shares, and has so evaluated the merits and risks of such investment. Such Purchaser is able to bear the economic risk of an investment in the Shares and, at the present time, is able to afford a complete loss of such investment.

(d) Certain Transactions and Confidentiality. Other than consummating the transactions contemplated hereunder, such Purchaser has not, nor has any Person acting on behalf of or pursuant to any understanding with such Purchaser, directly or indirectly executed any purchases or sales, including Short Sales, of the securities of the Company during the period commencing as of the time that such Purchaser first received a term sheet (written or oral) as of the Company or any other Person representing the Company setting forth the material terms of the transactions contemplated hereunder and ending immediately prior to the execution hereof. Notwithstanding the foregoing, in the case of a Purchaser that is a multi-managed investment vehicle whereby separate portfolio managers manage separate portions of such Purchaser's assets and the portfolio managers have no direct knowledge of the investment decisions made by the portfolio managers managing other portions of such Purchaser's assets, the representation set forth above shall only apply with respect to the portion of assets managed by the portfolio manager that made the investment decision to purchase the Shares covered by this Agreement. Other than to other Persons party to this Agreement, such Purchaser has maintained the confidentiality of all disclosures made to it in connection with this transaction (including the existence and terms of this transaction). Notwithstanding the foregoing, for avoidance of doubt, nothing contained herein shall constitute a representation or warranty, or preclude any actions, with respect to the identification of the availability of, or securing of, available shares to borrow in order to effect Short Sales or similar transactions in the future.

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(e) General Solicitation. Such Purchaser is not, to such Purchaser's knowledge, purchasing the Shares as a result of any advertisement, article, notice or other communication regarding the Shares published in any newspaper, magazine or similar media or broadcast over television or radio or presented at any seminar or any other general solicitation or general advertisement.

The Company acknowledges and agrees that the representations contained in Section 3.2 shall not modify, amend or affect such Purchaser's right to rely on the Company's representations and warranties contained in this Agreement or any representations and warranties contained in any other Transaction Document or any other document or instrument executed and/or delivered in connection with this Agreement or the consummation of the transaction contemplated hereby.

ARTICLE IV. OTHER AGREEMENTS OF THE PARTIES

4.1 Transfer Restrictions.

(a) The Shares and the Conversion Shares shall be issued free of all legends. The Securities may only be disposed of in compliance with state and federal securities laws. In connection with any transfer of Securities other than pursuant to an effective registration statement or Rule 144, to the Company or to an Affiliate of a Purchaser or in connection with a pledge as contemplated in Section 4.1(b), the Company may require the transferor thereof to provide to the Company an opinion of counsel selected by the transferor and reasonably acceptable to the Company, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration of such transferred Securities under the Securities Act. As a condition of transfer, any such transferee shall agree in writing to be bound by the terms of this Agreement and shall have the rights and obligations of a Purchaser under this Agreement.

(b) The Purchasers agree to the imprinting, so long as is required by this Section 4.1, of a legend on any of the Shares in the following form:

[NEITHER] THIS SECURITY [NOR THE SECURITIES INTO WHICH THIS SECURITY IS EXERCISABLE] HAS [NOT] BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS. THIS SECURITY [AND THE SECURITIES ISSUABLE UPON EXERCISE] OF THIS SECURITY] MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT WITH A REGISTERED BROKER-DEALER OR OTHER LOAN WITH A FINANCIAL INSTITUTION THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT OR OTHER LOAN SECURED BY SUCH SECURITIES.

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The Company acknowledges and agrees that a Purchaser may from time to time pledge pursuant to a bona fide margin agreement with a registered broker-dealer or grant a security interest in some or all of the Securities to a financial institution that is an "accredited investor" as defined in Rule 501(a) under the Securities Act, and, if required under the terms of such arrangement, such Purchaser may transfer pledged or secured Securities to the pledgees or secured parties. Such a pledge or transfer would not be subject to approval of the Company and no legal opinion of legal counsel of the pledgee, secured party or pledgor shall be required in connection therewith. Further, no notice shall be required of such pledge. At the appropriate Purchaser's expense, the Company will execute and deliver such reasonable documentation as a pledgee or secured party of Securities may reasonably request in connection with a pledge or transfer of the Securities

4.2 Furnishing of Information. For a period of 2 years from the Closing Date, the Company covenants to timely file (or obtain extensions in respect thereof and file within the applicable grace period) all reports required to be filed by the Company after the date hereof pursuant to the Exchange Act even if the Company is not then subject to the reporting requirements of the Exchange Act.

4.3 Integration. The Company shall not sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in Section 2 of the Securities Act) that would be integrated with the offer or sale of the Shares for purposes of the rules and regulations of any Trading Market such that it would require shareholder approval prior to the closing of such other transaction unless shareholder approval is obtained before the closing of such subsequent transaction.

4.4 Securities Laws Disclosure: Publicity. The Company and each Purchaser shall consult with each other in issuing any other press releases with respect to the transactions contemplated hereby, and neither the Company nor any Purchaser shall issue any such press release nor otherwise make any such public statement without the prior consent of the Company, with respect to any press release of any Purchaser, or without the prior consent of each Purchaser, with respect to any press release of the Company, which consent shall not unreasonably be withheld or delayed, except if such disclosure is required by law, in which case the disclosing party shall promptly provide the other party with prior notice of such public statement or communication. Notwithstanding the foregoing, the Company shall not publicly disclose the name of any Purchaser, or include the name of any Purchaser in any filing with the Commission or any regulatory agency or Trading Market, without the prior written consent of such Purchaser, except (a) as required by federal securities law in connection with the filing of final Transaction Documents (including signature pages thereto) with the Commission and (b) to the extent such disclosure is required by law or Trading Market regulations, in which case the Company shall provide such Purchaser with prior notice of such disclosure permitted under this clause (b).

4.5 Shareholder Rights Plan. No claim will be made or enforced by the Company or, with the consent of the Company, any other Person, that any Purchaser is an "Acquiring Person" under any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or similar anti-takeover plan or arrangement in effect or hereafter adopted by the Company, or that any Purchaser could be deemed to trigger the provisions of any such plan or arrangement, by virtue of receiving Shares under the Transaction Documents or under any other agreement between the Company and the Purchasers.

4.6 Non-Public Information. Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents, the Company covenants and agrees that neither it, nor any other Person acting on its behalf will, after the date hereof, provide any Purchaser or their respective agents or counsel with any information that the Company believes constitutes material non-public information, and such Purchaser agrees not to, and shall direct its agents and counsel not to, after the date hereof request any material non-public information from the Company or any Person acting on its behalf, unless prior thereto such Purchaser shall have executed a written agreement with the Company regarding the confidentiality and use of such information. The Company understands and confirms that each Purchaser shall be relying on the foregoing covenant in effecting transactions in securities of the Company.

4.7 Use of Proceeds. The Company shall use the net proceeds from the sale of the Shares hereunder for commercialization activities for working capital purposes and shall not use such proceeds for: (a) the redemption of any Common Stock or Common Stock Equivalents, or (b) the settlement of any outstanding litigation.

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4.8 Indemnification of Purchasers. Subject to the provisions of this Section 4.8, the Company will indemnify and hold each Purchaser and its directors, officers, shareholders, members, partners, employees and agents (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title), each Person who controls such Purchaser (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, shareholders, agents, members, partners or employees (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title) of such controlling persons (each, a “Purchaser Party”) harmless from any and all losses, liabilities, obligations, claims, contingencies, damages, costs and expenses, including all judgments, amounts paid in settlements, court costs and reasonable attorneys’ fees and costs of investigation that any such Purchaser Party may suffer or incur as a result of or relating to (a) any breach of any of the representations, warranties, covenants or agreements made by the Company in this Agreement or in the other Transaction Documents or (b) any action instituted against the Purchaser Parties in any capacity, or any of them or their respective Affiliates, by any stockholder of the Company who is not an Affiliate of such Purchaser Party, with respect to any of the transactions contemplated by the Transaction Documents (unless such action is based upon a breach of such Purchaser Party’s representations, warranties or covenants under the Transaction Documents or any agreements or understandings such Purchaser Party may have with any such stockholder or any violations by such Purchaser Party of state or federal securities laws or any conduct by such Purchaser Party which constitutes fraud, gross negligence, willful misconduct or malfeasance). If any action shall be brought against any Purchaser Party in respect of which indemnity may be sought pursuant to this Agreement, such Purchaser Party shall promptly notify the Company in writing, and the Company shall have the right to assume the defense thereof with counsel of its own choosing reasonably acceptable to the Purchaser Party. Any Purchaser Party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Purchaser Party except to the extent that (i) the employment thereof has been specifically authorized by the Company in writing, (ii) the Company has failed after a reasonable period of time to assume such defense and to employ counsel or (iii) in such action there is, in the reasonable opinion of counsel, a material conflict on any material issue between the position of the Company and the position of such Purchaser Party, in which case the Company shall be responsible for the reasonable fees and expenses of no more than one such separate counsel. The Company will not be liable to any Purchaser Party under this Agreement (y) for any settlement by a Purchaser Party effected without the Company’s prior written consent, which shall not be unreasonably withheld or delayed; or (z) to the extent, but only to the extent that a loss, claim, damage or liability is attributable to any Purchaser Party’s breach of any of the representations, warranties, covenants or agreements made by such Purchaser Party in this Agreement or in the other Transaction Documents. The indemnification required by this Section 4.8 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or are incurred. The indemnity agreements contained herein shall be in addition to any cause of action or similar right of any Purchaser Party against the Company or others and any liabilities the Company may be subject to pursuant to law.

4.9 Reserved

4.10 Listing of Common Stock. The Company hereby agrees to use best efforts to maintain the listing or quotation (as the case may be) of the Common Stock on the Trading Market on which it is currently listed or designated for quotation (as the case may be), and concurrently with or prior to the Closing, the Company shall apply to list or quote all of the Shares on such Trading Market and promptly, but in no event later than the Closing Date, secure the listing or designation for quotation (as the case may be) of all of the Shares on such Trading Market. The Company further agrees, if the Company applies to have the Common Stock traded on any other Trading Market, it will then include in such application all of the Shares, and will take such other action as is necessary to cause all of the Shares to be listed or quoted on such other Trading Market as promptly as possible. The Company will then take all action necessary to continue the listing and trading of its Common Stock on a Trading Market and will comply in all respects with the Company’s reporting, filing and other obligations under the bylaws or rules of the Trading Market. The Company agrees to maintain the eligibility of the Common Stock for electronic transfer through the Depository Trust Company or another established clearing corporation, including, without limitation, by timely payment of fees to the Depository Trust Company or such other established clearing corporation in connection with such electronic transfer.

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4.11 Certain Transactions and Confidentiality. Each Purchaser covenants that neither it nor any Affiliate acting on its behalf or pursuant to any understanding with it will execute any purchases or sales, including Short Sales of any of the Company’s securities during the period commencing with the execution of this Agreement and ending at such time that the transactions contemplated by this Agreement are first publicly announced pursuant to the initial press release as described in Section 4.4. Each Purchaser, severally and not jointly with the other Purchasers, covenants that until such time as the transactions contemplated by this Agreement are publicly disclosed by the Company pursuant to the initial press release as described in Section 4.4, such Purchaser will maintain the confidentiality of the existence and terms of this transaction. Notwithstanding the foregoing, and notwithstanding anything contained in this Agreement to the contrary, the Company expressly acknowledges and agrees that (i) no Purchaser makes any representation, warranty or covenant hereby that it will not engage in effecting transactions in any securities of the Company after the time that the transactions contemplated by this Agreement are first publicly announced pursuant to the initial press release as described in Section 4.4, (ii) no Purchaser shall be restricted or prohibited from effecting any transactions in any securities of the Company in accordance with applicable securities laws from and after the time that the transactions contemplated by this Agreement are first publicly announced pursuant to the initial press release as described in Section 4.4 and (iii) no Purchaser shall have any duty of confidentiality to the Company or its Subsidiaries after the issuance of the initial press release as described in Section 4.4. Notwithstanding the foregoing, in the case of a Purchaser that is a multi-managed investment vehicle whereby separate portfolio managers manage separate portions of such Purchaser’s assets and the portfolio managers have no direct knowledge of the investment decisions made by the portfolio managers managing other portions of such Purchaser’s assets, the covenant set forth above shall only apply with respect to the portion of assets managed by the portfolio manager that made the investment decision to purchase the Shares covered by this Agreement.

4.12 Transfer Agent Instructions. The Company hereby covenants and agrees that it will not give the Transfer Agent any instruction with respect to the Shares other than the Irrevocable Transfer Agent Instructions.

4.13 Rule 144 Reporting. With a view to making available the benefits of certain rules and regulations of the Commission which may at any time permit the sale of the Shares to the public without registration, while a public market exists for the Shares, the Company will use its commercially reasonable efforts to:

(a) make and keep public information available, as those terms are understood and defined in Rule 144, at all times while Shares are outstanding; and

(b) file with the Commission in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act (at any time it is subject to such reporting requirements).

4.14 Form D: Blue Sky Filings. The Company agrees to timely file a Form D with respect to the Shares as required under Regulation D and to provide a copy thereof, promptly upon request of any Purchaser.

ARTICLE V. MISCELLANEOUS

5.1 Termination. This Agreement may be terminated by any Purchaser, as to such Purchaser’s obligations hereunder only and without any effect whatsoever on the obligations between the Company and the other Purchasers, by written notice to the other parties, if the Closing has not been consummated on or before August 1, 2016 (the “Termination Date”); provided, however, that no such termination will affect the right of any party to sue for any breach by the other party (or parties).

5.2 Fees and Expenses. Except as expressly set forth in the Transaction Documents to the contrary, each party shall pay the fees and expenses of its advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement. The Company shall pay all Transfer Agent fees, stamp taxes and other taxes and duties levied in connection with the delivery of any Shares to the Purchasers.

5.3 Entire Agreement. The Transaction Documents contain the entire understanding of the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, oral or written, with respect to such matters, which the parties acknowledge have been merged into such documents, exhibits and schedules.

5.4 Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of: (a) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto prior to 5:30 p.m. (New York City time) on a Trading Day, (b) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (c) the second (2nd) Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service or (d) upon actual receipt by the party to whom such notice is required to be given. The address for such notices and communications shall be as set forth on the signature pages attached hereto.

5.5 Amendments; Waivers. No provision of this Agreement may be waived, modified, supplemented or amended except in a written instrument signed, in the case of an amendment, by the Company and holders of at least a majority of the aggregate amount of Shares issued hereunder or, in the case of a waiver, by the party against whom enforcement of any such waived provision is sought; provided, that if any amendment, modification or waiver disproportionately and adversely impacts a Purchaser (or group of Purchasers), the consent of such disproportionately impacted Purchaser (or group of Purchasers) shall also be required. No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right. Any proposed amendment or waiver that disproportionately, materially and adversely affects the rights and obligations of any Purchaser relative to the comparable rights and obligations of the other Purchasers shall require the prior written consent of such adversely affected Purchaser. Any amendment effected in accordance with this Section 5.5 shall be binding upon each Purchaser and holder of Securities and the Company.

5.6 Headings. The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

5.7 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. The Company may not assign this Agreement or any rights or obligations hereunder without the prior written consent of each Purchaser (other than by merger). Any Purchaser may assign any or all of its rights under this Agreement to any Person to whom such Purchaser assigns or transfers any Shares, provided that such transferee agrees in writing to be bound, with respect to the transferred Shares, by the provisions of the Transaction Documents that apply to the "Purchaser."

5.8 No Third-Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other Person, except as otherwise set forth in Section 4.8.

5.9 Governing Law. All questions concerning the construction, validity, enforcement and interpretation of the Transaction Documents shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Each party agrees that all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement and any other Transaction Documents (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the City of New York, borough of Manhattan for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law. If either party shall commence an action or proceeding to enforce any provisions of the Transaction Documents, then, in addition to the obligations of the Company under Section 4.8, the prevailing party in such action or proceeding shall be reimbursed by the other party for its reasonable attorneys' fees and other costs and expenses incurred with the investigation, preparation and prosecution of such action or proceeding.

5.10 Survival. The representations and warranties contained herein shall survive the Closing and the delivery of the Shares.

5.11 Execution. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party, it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

5.12 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

5.13 Rescission and Withdrawal Right. Notwithstanding anything to the contrary contained in (and without limiting any similar provisions of) any of the other Transaction Documents, whenever any Purchaser exercises a right, election, demand or option under a Transaction Document and the Company does not timely perform its related obligations within the periods therein provided, then such Purchaser may rescind or withdraw, in its sole discretion from time to time upon written notice to the Company, any relevant notice, demand or election in whole or in part without prejudice to its future actions and rights.

5.14 Replacement of Shares. If any certificate or instrument evidencing any Shares is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation thereof (in the case of mutilation), or in lieu of and substitution thereof, a new certificate or instrument, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction. The applicant for a new certificate or instrument under such circumstances shall also pay any reasonable third-party costs (including customary indemnity) associated with the issuance of such replacement Shares.

5.15 Remedies. In addition to being entitled to exercise all rights provided herein or granted by law, including recovery of damages, each of the Purchasers and the Company will be entitled to specific performance under the Transaction Documents. The parties agree that monetary damages may not be adequate compensation for any loss incurred by reason of any breach of obligations contained in the Transaction Documents and hereby agree to waive and not to assert in any action for specific performance of any such obligation the defense that a remedy at law would be adequate.

5.16 Payment Set Aside. To the extent that the Company makes a payment or payments to any Purchaser pursuant to any Transaction Document or any Purchaser enforces or exercises its rights thereunder, and such payment or payments or the proceeds of such enforcement or exercise or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, recovered from, disgorged by or are required to be refunded, repaid or otherwise restored to the Company, a trustee, receiver or any other person under any law (including, without limitation, any bankruptcy law, state or federal law, common law or equitable cause of action), then to the extent of any such restoration the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

5.17 Independent Nature of Purchasers' Obligations and Rights. The obligations of each Purchaser under any Transaction Document are several and not joint with the obligations of any other Purchaser, and no Purchaser shall be responsible in any way for the performance or non-performance of the obligations of any other Purchaser under any Transaction Document. Nothing contained herein or in any other Transaction Document, and no action taken by any Purchaser pursuant thereto, shall be deemed to constitute the Purchasers as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Purchasers are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated by the Transaction Documents. Each Purchaser shall be entitled to independently protect and enforce its rights including, without limitation, the rights arising out of this Agreement or out of the other Transaction Documents, and it shall not be necessary for any other Purchaser to be joined as an additional party in any proceeding for such purpose. The Company has elected to provide all Purchasers with the same terms and Transaction Documents for the convenience of the Company and not because it was required or requested to do so by any of the Purchasers. It is expressly understood and agreed that each provision contained in this Agreement and in each other Transaction Document is between the Company and a Purchaser, solely, and not between the Company and the Purchasers collectively and not between and among the Purchasers.

5.18 Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then such action may be taken or such right may be exercised on the next succeeding Business Day.

5.19 Construction. The parties agree that each of them and/or their respective counsel has reviewed and had an opportunity to revise the Transaction Documents and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of the Transaction Documents or any amendments hereto. In addition, each and every reference to share prices and shares of Common Stock in any Transaction Document shall be subject to adjustment for reverse and forward stock splits, stock dividends, stock combinations and other similar transactions of the Common Stock that occur after the date of this Agreement.

5.20 **WAIVER OF JURY TRIAL. IN ANY ACTION, SUIT, OR PROCEEDING IN ANY JURISDICTION BROUGHT BY ANY PARTY AGAINST ANY OTHER PARTY, THE PARTIES EACH KNOWINGLY AND INTENTIONALLY, TO THE GREATEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY AND EXPRESSLY WAIVES FOREVER TRIAL BY JURY.**

(Signature Pages Follow)

IN WITNESS WHEREOF, the parties hereto have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

MY SIZE, INC.

Address for Notice:
3 Arava St., pob 1206,
Airport City, Israel, 7010000

By: /s/ Ronen Luzon
Name: Ronen Luzon
Title: CEO
With a copy to (which shall not constitute notice):

Email: Ronen Luzon (Ronen@mysizeid.com)

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK
SIGNATURE PAGE FOR PURCHASER FOLLOWS]

[PURCHASER SIGNATURE PAGE TO IMMUNE SECURITIES PURCHASE AGREEMENT]

IN WITNESS WHEREOF, the undersigned have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

Name of Purchaser: Long Side Venture LLC

Signature of Authorized Signatory of Purchaser: /S/ Ben Kaplan
Ben Kaplan

Name of Authorized Signatory: _____

Email Address of Authorized Signatory:

Facsimile Number of Authorized Signatory:

Address and Contact Number for Notice of Purchaser:

Address for Delivery of Securities for Purchaser (if not same as address for notice):

Subscription Amount: \$ 200,000

Shares: 200,000

Broker Name:

Institutional ID:

DTC Participant Number:

EX-21.1 4 f10k2016ex21i_mysizeinc.htm LIST OF SUBSIDIARIES

Exhibit 21.1

List of Subsidiaries of My Size, Inc.:

Name	Jurisdiction of Incorporation/Formation
My Size Israel 2014 Ltd.	Israel
Topspin Medical (Israel) Ltd.	Israel

EX-23.1 5 f10k2016ex23i_mysizeinc.htm CONSENT OF SOMEKH CHAIKIN

Exhibit 23.1



Somekh Chaikin
KPMG Millennium Tower
17 Ha'arba'a Street, PO Box 609
Tel Aviv 61006, Israel
+972 3 684 8000

Consent of Independent Registered Public Accounting Firm

My Size Inc.
Airport City, Israel

We consent to the incorporation by reference in the registration statements (No. 333-216414 and 333-213727) on Form S-3 of My Size Inc. (the "Company") of our report dated April 13, 2017, with respect to the consolidated balance sheet of the Company as of December 31, 2016, and the related consolidated statements of comprehensive loss, shareholders' equity (deficiency) and cash flows for the year ended December 31, 2016, which report appears in the December 31, 2016 annual report on Form 10-K of the Company.

/s/ Somekh Chaikin
Certified Public Accountants (Isr.)
Member Firm of KPMG International
Tel Aviv, Israel
April 14, 2017

EX-23.2 6 f10k2016ex23ii_mysizeinc.htm CONSENT OF WEINBERG & BAER LLC

Exhibit 23.2

Weinberg & Baer LLC

115 Sudbrook Lane, Baltimore, MD 21208
Phone (410) 702-5660

Consent of Independent Registered Public Accounting Firm

My Size Inc.
Airport City, Israel

We consent to the incorporation by reference in the registration statement (No. 333-213727) on Form S-3 of My Size Inc. (the "Company") of our report dated March 1, 2016, except for Note 1c, as to which the date is March 27, 2016, with respect to the financial statements of the Company as of December 31, 2015, which report appears in the December 31, 2015 annual report on Form 10-K of the Company. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

Respectfully submitted,

Weinberg & Baer LLC
Baltimore, Maryland
April 13, 2017

EX-31.1 7 f10k2016ex31i_mysizeinc.htm CERTIFICATION

Exhibit 31.1

I, Ronen Luzon certify that:

1. I have reviewed this Annual Report on Form 10-K of My Size, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure 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 evaluations: and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Registrant

My Size, Inc.

Date: April 14, 2017

By: /s/ Ronen Luzon
Ronen Luzon
Chief Executive Officer
(Principal Executive Officer)

EX-31.2 8 f10k2016ex31ii_mysizeinc.htm CERTIFICATION

Exhibit 31.2

Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and pursuant to Rule 13a-14(a) and Rule 15d-14 under the Securities Exchange Act of 1934

I, Or Kles, certify that:

1. I have reviewed this Annual Report on Form 10-K of My Size, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure 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 evaluations: and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Registrant

My Size, Inc.

Date: April 14, 2017

By: /s/ Or Kles

**CERTIFICATIONS PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the Annual Report of My Size, Inc. (the "Company") on Form 10-K for the year ended December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ronen Luzon, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Registrant

My Size, Inc.

Date: April 14, 2017

By: /s/ Ronen Luzon
Ronen Luzon
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATIONS PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the Annual Report of My Size, Inc. (the "Company") on Form 10-K for the year ended December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Or Kles, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

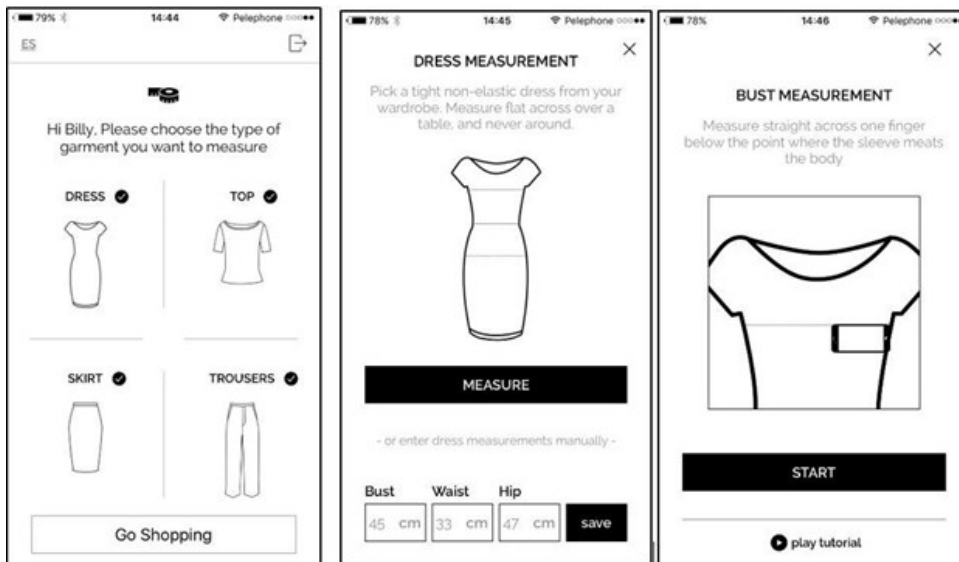
- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Registrant

My Size, Inc.

Date: April 14, 2017

By: /s/ Or Kles
Or Kles
Chief Financial Officer
(Principal Financial Officer)



Weinberg & Baer LLC