

MTI Wireless Edge Ltd. (the "**Company**")

Tax implications of the Merger

The tax treatment in Israel with respect to the Merger, the Company's activities after the Merger, and the shareholders of the Company and MTI Computers and Software Services (1982) Ltd. ("**MTIC**"), will be subject to tax arrangements in accordance with a pre-ruling to be received from the Israeli Tax Authorities ("**ITA**") issued following an application for pre-ruling made to the ITA by the Company and MTIC on 26 April 2018 (the "**Application for a Pre-Ruling**"). The Application for a Pre-Ruling was made in accordance with the provisions of the Israeli Income Tax Ordinance (New Version), 1961 (the "**Ordinance**").

The significance of the pre-ruling from the ITA, as set out in the Application for a Pre-Ruling, is receipt of a tax exemption with respect to the Merger between the Company and MTIC and the taxable event for the shareholders of both companies as a result of the Merger being deferred until the sale of their holdings in the Company. In addition, there are a number of material implications for the Company and its shareholders following the Merger, which will apply during a "Restricted Period"¹. These are as follows:

- The holdings of the "Controlling Shareholders", as such term is defined in section 103 to the Ordinance², in the Company and MTIC on the eve of the Merger, shall following the Merger and during the Restricted Period, not be less than that stipulated in the pre-ruling to be issued by the ITA in connection with the Application for a Pre-Ruling³, including the right to assets upon liquidation, rights to profits, and managerial or voting rights, subject to the qualifications stipulated in the Ordinance.

Mokirei Aya Ltd., one of the Controlling Shareholders of MTIC prior to the Merger as well as one of the Controlling Shareholders of the Company after the Merger, has provided an undertaking to the Company agreeing, *inter alia*, not to cause a breach of the above restriction. Following receipt of this undertaking from Mokirei Aya Ltd. there will be no holding restrictions on any of the other shareholders of the Company following the Merger with respect to their shares in the Company. Further details of the holdings of the Controlling Shareholders prior to and following the Merger are set out below.

¹ The "*Restricted Period*" shall mean - the longer of the following two time periods: A period of two years starting on *the date of the Merger* or a period commencing on *the date of the Merger* and ending one year after the end of the tax year in which the Merger order is issued. The "*date of the Merger*" shall mean - the end of the tax year in which the Merger order was issued or the end of the previous tax year, provided that it does not precede the date of the submission of the application for the Merger.

² A "Controlling Shareholder" shall mean - someone who holds or is entitled to acquire (other than a provident fund or trust fund), directly or indirectly, alone or together with a relative, one of the following: (1) at least 5% of the issued share capital; (2) at least 5% of the voting rights; (3) the right to receive at least 5% of the profits or assets upon liquidation; (4) the right to appoint a manager..

³ According to section 104C(8) of the Ordinance, all of the holders of rights in the merging companies other than those who are not Controlling Shareholders whose rights are traded on a stock exchange shall jointly hold, immediately following the Merger, all of the rights in the surviving entity, and during the course of the Restricted Period, the total sum of the rights held by such rights holders, in whole or in part, shall not be less than 25% of each of the rights in the surviving entity. As noted above, following receipt of an undertaking from Mokirei Aya Ltd., this restriction will only apply to Mokirei Aya Ltd. In addition, the 25% threshold may be set at a lower amount in the pre-ruling to be issued by the ITA.

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- The Company, as the surviving entity, will during the Restricted Period, continue the primary economic activities that existed in each of the Company and MTIC on the eve of the Merger (the income from which is subject to or expected to be subject to income tax at the marginal rate as stipulated in the Ordinance).
- Most of the assets that were transferred to the Company from MTIC, in the framework of the Merger and most of the assets that were in the possession of the Company on the eve of the Merger, will not be sold during the Restricted Period, and during such period will be used appropriately (taking into account the circumstances), in the course of the Company's business.⁴
- Regarding the matter of setting off MTIC's losses for tax purposes "Losses" and those of the Company, it was determined that, as a rule (subject to the qualifications and exceptions stipulated in the Ordinance), that Losses incurred by MTIC or the Company as at the date of the Merger, will be permitted to be offset against the Company's income as of the tax year following the Merger, provided that in each tax year until the end of the fifth year after the date of the Merger, the Company will not be permitted to offset an amount exceeding 20% of the aggregate of all Losses of MTIC and the Company, or exceeding 50% of the taxable income of the Company during the relevant tax year, before the offset of Losses from previous years; whichever is the lower.

The above description does not purport to be an authorised interpretation of the provisions of the Ordinance cited above or an exhaustive description of the tax provisions relating to the Company and its shares.

⁴ "Most of the assets" means - assets which, on the date of the Merger, had a market value of more than 50% of the market value of all of the assets during that same period, subject to the exceptions stipulated in the Ordinance.