

# Annual General Meeting Of Shareholders - December 23, 2013 At 10:00 AM (Israel Time)

23/11/2013

ADVANCED VISION TECHNOLOGY (A.V.T.) LTD.  
Hod Hasharon, Israel

Notice is hereby given that an  
**Annual General Meeting of Shareholders ("AGM")**  
of Advanced Vision Technology (A.V.T.) Ltd. (the "Company")  
will be held on December 23, 2013 at 10:00 AM (Israel time)

At the Company's head office at 6 Hanagar St., Neve Ne'eman Hod Hasharon. If within an hour from the time appointed for the AGM, a quorum, according to the Company's Articles of Association (i.e., two or more shareholders present in person or by proxy), is not present, the meeting shall be dissolved and shall stand adjourned to December 30, 2013, at the same time and place as set forth above. According to the provisions of the Company's Articles of Association, at such adjourned meeting, any two (2) shareholders present in person or by proxy, shall constitute a quorum.

The **agenda** of this AGM shall be to: (i) review and discuss the Company's 2012 financial statements and (ii) to vote upon the following proposed resolutions

## **Reappointment of Directors and their Remuneration:**

1. To reappoint Mr. Arie Weisberg as an external director for a term of three years, commencing as of the date of the AGM. Mr. Weisberg will be paid an annual fee of NIS 63,145, and a fee of NIS 3,274 per each board meeting or committee meeting in which he participated ("**Participation Fee**"), or 60% of the Participation Fee per each board meeting or committee meeting held by teleconference or similar means of communications in which he participated. These fees are linked to the consumer price index in Israel, and reflect the top of the range of the fees allowed to be paid, per applicable law, to an external director by a company of AVT's size (measured by shareholders' equity capital). Mr. Weisberg will also be included in the Company's Directors & Officers insurance policy, as may be revised from time-to-time, and in the Company's standard directors' indemnification agreement, as may be revised from time-to-time.

2. To approve the grant of an option to purchase 10,272 shares of the Company's Ordinary Shares to Mr. Arie Weisberg having a vesting schedule as follows: (i) 3,424 shares shall vest on December 23rd, 2014, (ii) 3,424 shares vesting on December 23rd, 2015, and (iii) 3,424 shares shall vest on December 23rd, 2016. These options shall be subject to the terms and conditions set forth in the Company's ISOP. The exercise price for each option granted shall be the closing sales price for the shares (or the closing bid, if no sales were reported), as quoted on the Frankfurt Stock Exchange on the last day of trade prior to the date on which the AGM approved this resolution, as reported in the Wall Street Journal, or such other source as the Board of Directors deems reliable.

3. To reappoint Mr. Ytzhak Edelman as an external director for a term of three years, commencing as of the date of the AGM. Mr. Edelman will be paid an annual fee of NIS 63,145, and a Participation fee of NIS 3,274 per each board meeting or

committee meeting in which he participated, or 60% of the Participation Fee per each board meeting or committee meeting held by teleconference or similar means of communications in which he participated. These fees are linked to the consumer price index in Israel, and reflect the top of the range of the fees allowed to be paid, per applicable law, to an external director by a company of AVT's size (measured by shareholders' equity capital). Mr. Edelman will also be included in the Company's Directors & Officers insurance policy, as may be revised from time-to-time, and in the Company's standard directors' indemnification agreement, as may be revised from time-to-time.

4.To approve the grant of an option to purchase 10,272 shares of the Company's Ordinary Shares to Mr. Ytzhak Edelman having a vesting schedule as follows: (i) 3,424 shares shall vest on December 23rd, 2014, (ii) 3,424 shares vesting on December 23rd, 2015, and (iii) 3,424 shares shall vest on December 23rd, 2016. These options shall be subject to the terms and conditions set forth in the Company's ISOP. The exercise price for each option granted shall be the closing sales price for the shares (or the closing bid, if no sales were reported), as quoted on the Frankfurt Stock Exchange on the last day of trade prior to the date on which the AGM approved this resolution, as reported in the Wall Street Journal, or such other source as the Board of Directors deems reliable.

5.To reappoint Ms. Nurit Nahum as a director of the Company until the next AGM.

6.To approve (i) the payment to Ms. Nahum of an annual fee of NIS 63,145, and a Participation Fee of NIS 3,274 per each board meeting or committee meeting in which she participated, which fees are linked to the consumer price index in Israel, or 60% of the Participation Fee per each board meeting or committee meeting held by teleconference or similar means of communications in which she participated, (ii) the inclusion of Ms. Nahum in the Company's Directors & Officers insurance policy, as may be revised from time-to-time, (iii) the inclusion of Ms. Nahum in the Company's standard directors' indemnification agreement, as may be revised from time-to-time, and (iv) the grant to Ms. Nahum of an option to purchase 10,272 shares of the Company's Ordinary Shares having a vesting schedule as follows: (i) 3,424 shares shall vest on December 23rd, 2014, (ii) 3,424 shares vesting on December 23rd, 2015, and (iii) 3,424 shares shall vest on December 23rd, 2016. These options shall be subject to the terms and conditions set forth in the Company's ISOP. The exercise price for each option granted shall be the closing sales price for the shares (or the closing bid, if no sales were reported), as quoted on the Frankfurt Stock Exchange on the last day of trade prior to the date on which the AGM approved this resolution, as reported in the Wall Street Journal, or such other source as the Board of Directors deems reliable.

7.To reappoint Mr. Ofer Ne'eman as a director of the Company until the next AGM.

8.To approve (i) the payment to Mr. Ne'eman of an annual fee of NIS 63,145, and a Participation Fee of NIS 3,274 per each board meeting or committee meeting in which he participated, which fees are linked to the consumer price index in Israel, or 60% of the Participation Fee per each board meeting or committee meeting held by teleconference or similar means of communications in which he participated, (ii) the inclusion of Mr. Ne'eman in the Company's Directors & Officers insurance policy, as may be revised from time-to-time, (iii) the inclusion of Mr. Ne'eman in the Company's standard directors' indemnification agreement, as may be revised from time-to-time, and (iv) the grant to Mr. Ne'eman of an option to purchase 10,272 shares of the Company's Ordinary Shares having a vesting schedule as follows: (i) 3,424 shares shall vest on December 23rd, 2014, (ii) 3,424 shares vesting on December 23rd,

2015, and (iii) 3,424 shares shall vest on December 23rd, 2016. These options shall be subject to the terms and conditions set forth in the Company's ISOP. The exercise price for each option granted shall be the closing sales price for the shares (or the closing bid, if no sales were reported), as quoted on the Frankfurt Stock Exchange on the last day of trade prior to the date on which the AGM approved this resolution, as reported in the Wall Street Journal, or such other source as the Board of Directors deems reliable.

9. To reappoint Mr. Yeoshua Agassi, who is the Chairman of the Board of Directors, as a director of the Company until the next AGM.

10. To approve the payment to Mr. Agassi: (i) of a monthly fee of 20,000 NIS, plus VAT as applicable, which shall be paid so long as he will serve as Chairman of the Board of Directors. Once Mr. Agassi's role as Chairman of the Board of Directors is terminated (for whatever reason), as long as he continues to serve as a director, this fee shall be revised to the payment to Mr. Agassi of an annual fee of NIS 63,145, and a Participation Fee of NIS 3,274 per each board meeting or committee meeting in which he participated, which fees are linked to the consumer price index in Israel, or 60% of the Participation Fee per each board meeting or committee meeting held by teleconference or similar means of communications in which he participated, (ii) the inclusion of Mr. Agassi in the Company's Directors & Officers insurance policy, as may be revised from time-to-time, and (iii) the inclusion of Mr. Agassi in the Company's standard directors' indemnification agreement, as may be revised from time-to-time.

#### **New CEO:**

11. To approve the resolution of the Board of Directors of the Company based on the recommendation of the Compensation Committee of the Board, to approve the payment to Mr. Jaron Lotan, since October 1, 2013, when he started serving as the President and Chief Executive Officer of the Company:

a. A monthly base salary of 90,000 NIS.

b. Benefits as mandated by applicable law and other perquisites that are generally paid to other Company officers (such as study fund, certain variable car expenses, phone, and medical benefits). The cost to the Company of all the non-mandatory benefits and perquisites will not exceed 30% of the base salary.

c. An annual cash bonus of up to 6 months of base salary, which are dependent upon achievement of targets, set by the Board. Since Mr. Lotan has started employment on October 1, 2013, the first cash bonus will be for achievement of targets that the board will set for 2014 and will be up to 7.5 months of base salary.

d. Subject to Sub-section (f) below, the grant to Mr. Lotan of an option to purchase 13,697 shares of the Company's Ordinary Shares having a vesting schedule as follows: (i) 6,849 shares shall vest on December 23rd, 2015, (ii) 3,424 shares vesting on December 23rd, 2016, and (iii) 3,424 shares shall vest on December 23rd, 2017. These options shall be subject to the terms and conditions set forth in the Company's ISOP. The exercise price for each option granted shall be the closing sales price for the shares (or the closing bid, if no sales were reported), as quoted on the Frankfurt Stock Exchange on the last day of trade prior to the date on which the AGM approved this resolution, as reported in the Wall Street Journal, or such other source as the Board of Directors deems reliable.

e. Subject to Sub-section (f) below, the grant to Mr. Lotan of an option to purchase 58,000 shares of the Company's Ordinary Shares, which shall vest upon the earlier of (i) the publication by the Company of its audited financial results for 2015, if the revenues of the Company in 2015 has increased by at least 25% from the revenues

of the Company in 2013, and the ratio of pre-tax profits to revenues in 2015 will not be lower than said ratio in 2013; or (ii) the publication by the Company of its audited financial results for 2016, if the revenues of the Company in 2016 has increased by at least 40% from the revenues of the Company in 2013, and the ratio of pre-tax profits to revenues in 2016 will not be lower than said ratio in 2013.

If the Company shall achieve (in either 2015 or 2016) one of the two conditions set above for vesting of these options, while the other parameter shall miss its target by up to 20%, the Board is empowered to agree to a partial vesting of the options granted hereunder.

The exercise price for the options granted hereunder shall be the closing sales price for the shares (or the closing bid, if no sales were reported), as quoted on the Frankfurt Stock Exchange on the last day of trade prior to the date on which the AGM approved this resolution, as reported in the Wall Street Journal, or such other source as the Board of Directors deems reliable.

f.If there will be a change-of-control event, and within 6 months thereof Mr. Lotan's employment will be terminated by the Company (other than for breach of his agreement), the vesting of all the options granted to him until such time will be accelerated so that they will be deemed fully vested at the time of termination of employment.

g.The inclusion of Mr. Lotan in the Company's Directors & Officers insurance policy, as may be revised from time-to-time.

h.The inclusion of Mr. Lotan in the Company's standard directors' indemnification agreement, as may be revised from time-to-time.

### **Compensation Policy:**

Background: Per a recent amendment to the Israeli Companies Law, the Board of Directors, based on the recommendation of the Compensation Committee of the Board, adopted a policy regarding the compensation of the Company's officers and directors (herein: the "**Compensation Policy**"). The purpose of the Compensation Policy is to formalize AVT's compensation philosophies, practices and policies, as they apply to its officers and directors. The Compensation Policy will apply to all compensation by AVT to its officers (in Israel) and its directors during, or in respect of, the 3-year period starting on January 1, 2014. All existing employment or service agreements with officers (who are subject to the Compensation Policy) that do not comply with the Compensation Policy will be amended not later than on December 31, 2014. A copy of the Compensation Policy is available (in English)

at: <http://www.avt->

[inc.com/files/339a0bc1951d4476323652102e88719d/Proposed%20AVT%20Compensation%20Policy%202013.pdf](http://www.avt-inc.com/files/339a0bc1951d4476323652102e88719d/Proposed%20AVT%20Compensation%20Policy%202013.pdf)

12.To approve the resolution of the Board of Directors of the Company based on the recommendation of the Compensation Committee of the Board, to adopt the Compensation Policy.

### **External Auditors:**

13.To re-appoint the firm of Kost, Forer, Gabbay and Kasierer, a member of Ernst & Young International, as the Company's independent auditors for the fiscal year ending December 31, 2013 and to authorize the Board of Directors to set its compensation.

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- Shareholders of record at the close of business on November 29, 2013 will be entitled to vote at the AGM and receive the document detailed above. All shareholders are cordially invited to attend the AGM in person.
  - Shareholders who are unable to attend the AGM, or any adjournment thereof, in person, are requested to complete, date and sign the enclosed form of proxy and to return it promptly, and in no event, no later than 5:00 PM (Israel time) on December 20, 2013 (the “**Proxy Date**”) in the pre-addressed envelope provided. In case of an adjourned meeting, the proxy provided hereunder shall continue to be in full force and effect unless cancelled by the shareholder. Shareholders, who attend the AGM, or any adjournment thereof, may revoke their proxies and vote their shares in person. Any proxy received by the Company after the Proxy Date shall not be calculated for quorum purposes and the proxy holder(s) shall not be entitled to vote therefor in the AGM or any adjournment thereof.
  - Joint holders of shares should take note that, pursuant to Article 34(d) of the Articles of Association of the Company, the vote of the senior of joint holders of any share who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other registered holder(s) of the share and for this purpose seniority will be determined by the order in which the names stand in the Register of Shareholders.

### **SPECIAL MAJORITY REQUIREMENTS**

- The approval of items 1, 2, 3, 4, 11 & 12 above require the affirmative vote of the holders of a majority of the voting power in the Company present, in person or by proxy, and voting on the matter, provided that either (i) such majority includes at least a majority of the votes of shareholders voting on the matter who do not have a personal interest in the proposed resolution and are not related to the controlling shareholder or (ii) the total number of votes against the proposed resolution, by shareholders voting on the matter who do not have a personal interest in the proposed resolution, does not exceed two percent of the outstanding voting power in the Company. Applicable law requires every shareholder to disclose whether they have a personal interest in these proposed resolutions.
- All other items on in this notice require the affirmative vote of the holders of a majority of the voting power in the Company present, in person or by proxy, and voting on the matter.

Registered shareholders of record at the close of business on November 29, 2013 (“Record Day”) will be entitled to attend and to vote at the AGM.

As of November 19, 6,589,655 shares are outstanding and 5,770,533 shares are entitled to vote.

The binding notice of the AGM (in the English language) may be obtained free of charge at the registered office of the company and at Deutsche Bank AG, TSS/GES, Post IPO Services, 60262 Frankfurt am Main. E-mail: core.empfo@db.com.

**Co-owners of the registered shares of Advanced Vision Technology (A.V.T.) Ltd., which are registered in the name of Clearstream Banking AG (“CBF”), Frankfurt am Main, and are deposited in the form of a global certificate at CBF have to notice the following:**

CBF will not execute the right to attend and to vote at the AGM which is given to CBF due to the registration of the registered shares in the name of CBF. Upon request CBF will offer to attend the AGM and/or to vote in the name of CBF to the co-owners on behalf of which the registered shares are booked or on behalf of which a person has been named. The authorized co-owner is asked to apply for a power of attorney from CBF up to the amount of the respective co-ownership as of Record Day **until end of business on December 16, 2013 via the custodian bank at Deutsche Bank AG, Frankfurt am Main**. Instruction received after this date will be processed on a “best-effort-basis”.

Hod Hasharon, in November 2013  
Board of Directors

Frankfurt am Main, in November 2013

on behalf of **ADVANCED VISION TECHNOLOGY (A.V.T.) LTD.**

**Deutsche Bank**  
Aktiengesellschaft