

## LETTER OF INTENT

This Letter of Intent ("LOI") is entered into this 16 day of JANUARY, 2003, in London, United Kingdom, by and between Mr. Walter Soriano or a company/entity/family foundation or trust controlled/affiliated/ by or to him or his immediate family or for the benefit of him or his immediate family ("Soriano") and Mr. Guy Naggar or a company controlled by him ("Naggar") (collectively: "the Parties"), and sets forth the mutual understanding and intent of the Parties, with regard to their cooperation in the operation of a limited liability company in the United Kingdom ( the "Company"), all in accordance with the following terms and conditions:

1. The Parties shall cause the Company to be reconstituted under the laws of the United Kingdom. The registered office of the Company shall be in London and in so far as shall be considered necessary by the Parties, the charter documents of the Company shall reflect the terms and conditions of this LOI.
2. The aims and objectives of the Company shall be to advise and counsel different entities worldwide, including governmental authorities, companies, public and private institutions as well as individuals, in the area of security, particularly with regard to terrorist and crime prevention, and to supervise and/or manage and/or assist such entities in organizing and carrying out various types of security projects.
3. For the purposes of furthering the Company's objectives, as set forth above, Soriano shall be responsible for recruiting and/or engaging for the Company such reputable and distinguished persons of great experience in the area of security, who shall be employed by the Company and/or who shall be nominated by Soriano to the Board of Directors of the Company.
4. Shareholders' Loans
  - 4.1 Each of the Parties undertakes to provide the Company with such funds as shall be necessary for the Company's first year of operation, in accordance with the budget of the Company, attached hereto as Annex A, and in accordance with the ratio as set forth as follows (the "Shareholders' Loans" or "Loans"):
    - 4.1.1 Naggar shall provide 2/3 of the amount of the Shareholders' Loans;  
and
    - 4.1.2 Soriano shall provide 1/3 of the amount of the Shareholders' Loans.All amounts contributed on account of the Loans shall be forwarded to the Company by both Parties simultaneously, according to the above ratio.
  - 4.2 Upon the execution of this LOI, the Parties shall forward to the Company on account of the Shareholders' Loans the following sums:
    - (a) Naggar shall contribute \$200,000 USD; and
    - (b) Soriano shall contribute \$100,000 USD.

- 4.3 The Parties undertake to utilize the amount of the Loans solely for the benefit of the Company, within the framework of the budget of the Company or as shall be agreed upon between the Parties.
- 4.4 All Loans contributed by the Parties to the Company shall be deposited in the Account, as defined below.
5. Repayment of the Shareholders' Loans
- 5.1 The Shareholders' Loans shall bear interest at a rate of LIBOR plus 1 % and shall be repaid by the Company only out of the profits of the Company; to the extent that the Company shall have such profits and subject to the provisions set forth below.
- 5.2 In the event that the Company shall make repayments on account of the Loans, then such repayments will be first used to pay up to half the amount of the Loans contributed by Naggar, including the interest accrued on the said half. The date on which Naggar shall be repaid half the amount of his Loans, including the interest accrued on the said half, shall be considered for the purposes of this LOI as the "Effective Date".
- 5.3 Following the Effective Date, all repayments on account of the Loans shall be utilized to repay the Shareholders' Loans of Naggar and Soraino, in an equal manner.
6. The Company's Account
- 6.1 Upon the execution of this LOI, the Parties shall cause the Company to open an account with a bank in the United Kingdom ( the "Account").
- 6.2 The signatories of the Account shall be, as follows:  
(a) Soriano for any amount not exceeding \$15,000 USD; and  
(b) Soriano together with Molho for any amount exceeding \$15,000.
7. Division of the Share Capital
- 7.1 The division of the issued share capital of the Company shall be, as follows:  
(a) Soriano shall hold 50% of the issued share capital of the Company;  
(b) Naggar shall hold 30% of the issued share capital of the Company;  
(c) Molho shall hold 10% of the issued share capital of the Company.  
(d) In addition, Molho or his representative in London (as shall be appointed by Molho) shall hold in trust 10% of the issued share capital of the Company, in accordance with the conditions as set forth below (the "Trust Shares").

The above shares shall be purchased by the Shareholders, at the par value of the shares held by each of them, with the exception of the Trust Shares whose

par value purchase price shall be paid by Soriano and the persons listed in Annex B, each according to its proportion listed therein, respectively.

The Parties hereby agree that the above ratio, representing the Parties' and Molho's percentage interest in the issued share capital of the Company, shall under no circumstances be changed, without the prior written consent of the Parties and Molho.

- 7.2 Immediately following the Effective Date, Molho shall distribute the Trust Shares among the persons listed in Annex B of this LOI. Any remaining Trust Shares shall be transferred to Soriano.
8. Naggar shall provide adequate and suitable office space for the Company upon such terms and conditions as shall be agreed between the Parties.
9. The Company shall establish an Israeli limited liability company which shall be a wholly owned subsidiary of the Company ( the "Subsidiary"). The Subsidiary shall provide services to the Company. The consideration, which shall be paid by the Company to the Subsidiary shall be calculated on a "Cost Plus Basis", the rate of which shall be determined in accordance with the market value of the services to be provided by the Subsidiary, as estimated by the Parties..
10. Soriano shall serve as the Chief Executive Officer of the Company ("CEO") and shall operate from the Company's offices in London. The Board of Directors of the Company shall comprise six (6) directors; three (3) of which shall be nominated by Soriano; two (2) of which shall be nominated by Naggar and one (1) of which shall be nominated by Molho. The Board of Directors shall hold its meetings in London. All Agreements to be signed with the Directors of the Company shall specifically state that the Directors shall meet in London.
11. In the event that the execution and/or implementation of the terms and conditions of this LOI shall require further supplementation and/or clarification and/or elaboration, Molho shall assist the Parties in reaching an appropriate solution and shall to the best of his ability mediate between the Parties. If necessary, Molho shall also resolve disputes between the Parties.

  
SORIANO

  
NAGGAR

I, the undersigned, hereby warrant that I have read this LOI and that I agree to fulfill my obligations, all in accordance with the provisions as set forth herein.

  
MOLHO

Appendix B

Name of Beneficiary	Percentage
Admoni Nachum	2%
Sagey Uri	2%
Livneh Avraham	3%

## Supplement

Entered and signed in London on the 08<sup>th</sup> day of January 2004.

WHEREAS: On January 16, 2003 a Letter of Intent (the "LOI") was signed by and between WS and GN (the "**Parties**"); and

WHEREAS: In accordance with the LOI a company was reconstituted under the laws of England and Wales and was renamed as "Universe Security Group Ltd." (the "**Company**"); and

WHEREAS: The company is currently in the initial stages of operation; and

WHEREAS: Since the execution of the LOI, Soriano has become affiliated with an entity known as Soriano's Trust (the "**ST**") and the said entity shall act in his stead as if it were the same party to the LOI; and


WHEREAS: Since the execution of the LOI, Naggat has become affiliated with an entity known as WK Nominees Ltd (the "**WN**"), and shall act through that entity for the purposes of this Supplement as if it were the same party to the LOI, and

WHEREAS: For the purposes of clarifying their undertakings with respect to the continued operation of the Company, the Parties have agreed to execute this Supplement amending certain provisions of the LOI.

IN CONSIDERATION OF THE MUTUAL UNDERTAKINGS THE PARTIES AGREE AS FOLLOWS:

### 1. Division of the Share Capital

The division of the share capital as set forth in section 7 of the LOI shall be amended as follows:

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- (a) ST (by its trustees) shall hold 540 shares, representing 54% of the total issued share capital of the Company.
  - (b) WN shall hold 300 shares, representing 30% of the total issued share capital of the Company.
  - (c) IM shall hold 100 shares, representing 10% of the total issued share capital of the Company.
  - (d) E.S. Shimron, I. Molho, Persky & Co.- Trusts Ltd. (hereinafter: the "**Trust Company**"), shall hold in trust 60 shares, representing 6% of the total issued share capital of the Company (the "**Trust shares**") in favor of Mr. Avi Livne ("**AL**") and Mr. Nahum Admoni ("**NA**") respectively.

Since the Trust Shares have been paid up in full to the Company by IM on behalf of AL and NA, upon the Effective Date (as defined in the LOI), the Trust Company shall transfer the legal ownership to the aforesaid persons the number of shares representing their shareholding interest in the Company, as listed below:

- AL 35 Ordinary Shares, representing 3.5 % of the total issued share capital of the Company.
- NA 25 Ordinary Shares, representing 2.5% of the total issued share capital of the Company.

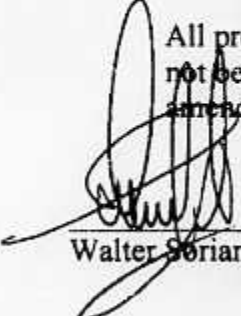
Until the Effective Date, the Trust Company shall hold the shares of AL and NA, and until such date shall be entitled to represent the aforesaid persons at any General Meeting of the Company, and to vote the said shares at its discretion.

**2. Part of the Voting Rights of ST**

Upon the execution of this Supplement, ST shall provide IM with an irrevocable proxy, which shall remain valid until the Effective Date, entitling IM to vote at any General Meeting of the Company, at his discretion, on behalf of 40 shares, representing 4% out of 54% of ST's shareholding interest in the Company, until the Effective Date.

**3. Provisions of the LOI**

All provisions of the LOI shall continue to be of full force and effect and shall not be modified in any way, except in so far as they have been explicitly amended in this Supplement.

  
\_\_\_\_\_  
Walter Soriano

  
\_\_\_\_\_  
Guy Maggar

Having regard to the Parties' undertakings with respect to IM and the Trust Company, I hereby confirm that I have read this Supplement to the LOI and agree to its content.

  
\_\_\_\_\_  
Isaac Molho