

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

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended: December 31, 2022

or

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

Commission file number 333-188920

SCOUTCAM INC.

(Exact name of registrant as specified in its charter)

Nevada

State or other jurisdiction of
incorporation or organization

47-4257143

(I.R.S. Employer
Identification No.)

Suite 7A and 3B, Industrial Park, P.O. Box 3030
Omer, Israel 8496500

(Address of principal executive offices) (Zip Code)

Tel: +972 73 370-4691

Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act: None

Title of each class

N/A

Trading Symbol(s)

N/A

Name of each exchange on which registered

N/A

Securities registered pursuant to Section 12(g) of the Act: None

N/A

(Title of class)

Indicate by check mark if 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 whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

☐

Accelerated filer

☐

Non-accelerated filer

☒

Smaller reporting company

☒

Emerging growth company

☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant as of June 30, 2022, based on the price at which the common equity was last sold on the OTCQB Market on such date, was \$19.22 million. For purposes of this computation only, all officers, directors and 10% or greater stockholders of the registrant are deemed to be affiliates.

As of March 28, 2023, there were 10,432,518 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes a number of forward-looking statements that reflect management's current views with respect to future events and financial performance. Forward-looking statements are projections in respect of future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other comparable terminology. Those statements include statements regarding the intent, belief or current expectations of our Company and members of our management team as well as the assumptions on which such statements are based. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements.

These statements are only predictions and involve known and unknown risks, uncertainties and other factors including, but not limited to:

- *our financial performance, including our history of operating losses;*
- *our ability to obtain additional funding to continue our operations;*
- *our ability to successfully develop and commercialize our products;*
- *changes in the regulatory environments of the United States and other countries in which we intend to operate;*
- *our ability to attract and retain key management and marketing personnel;*
- *competition from new market entrants; and*
- *our ability to identify and pursue development of additional products.*

Readers are urged to carefully review and consider the various disclosures made by us in this Annual Report and in our other reports filed with the Securities and Exchange Commission. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in future operating results over time except as required by law. We believe that our assumptions are based upon reasonable data derived from and known about our business and operations. No assurances are made that actual results of operations or the results of our future activities will not differ materially from our assumptions.

As used in this Annual Report and unless otherwise indicated, the terms "ScoutCam," "we," "us," "our," or "our Company" refer to ScoutCam Inc. Unless otherwise specified, all dollar amounts are expressed in United States dollars.

PART I

ITEM 1. BUSINESS

Overview

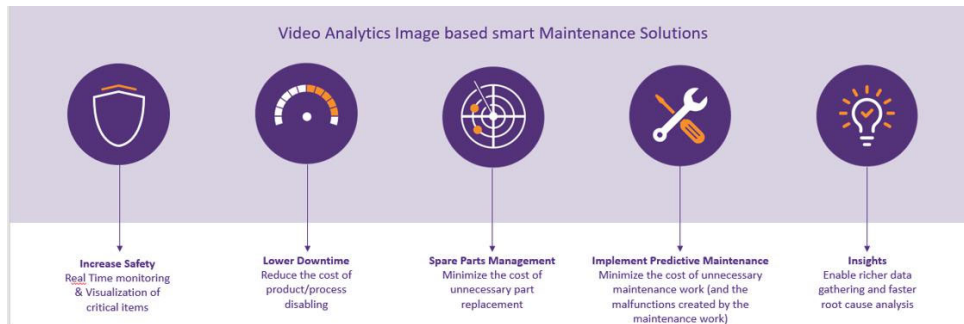
Our Mission

We are a pioneer in the development, production, and marketing of innovative Predictive Maintenance (PdM) and Condition Based Monitoring (CBM) technologies, providing visual sensing and AI-based video analytics solutions for critical systems in the aviation, maritime, industrial non-destructing-testing industries, transportation, and energy industries. Some of our products utilize our unique micro visualization technology in medical devices for complex and minimally invasive medical procedures. Our technology includes proven video technologies and products amalgamated into a first-of-its-kind, FDA-cleared minimally invasive surgical device. At the present time, we derive a substantial portion of our revenue from applications of our micro visualization technology within the medical field.

Our Business Model

Our unique video-based sensors, embedded software, and AI algorithms are being deployed in hard-to-reach locations and harsh environments across a variety of PdM and CBM use cases. Our solution allows maintenance and operations teams visibility into areas which are inaccessible under normal circumstances, or where the operating ambience otherwise is not suitable for continuous real-time monitoring, and has various applications which have relevancy in a wide range of industry segments that utilize complicated mechanics requiring ongoing monitoring and predictive maintenance applications. Our current business model is a business-to-business (B2B) approach in which we seek to identify target businesses interested in integrating our micro visualization technology or commissioning individual projects using our technology. We have several successful proof of concepts in airborne platforms of various OEM's in aerospace and have completed a successful demonstration project for a top global elevator systems manufacturer. As provided above, we are developing additional applications for our visual solutions portfolio (composed of image acquisition, data collection, and storage and image processing), including PdM and CBM (we refer to these applications and sectors as Industry 4.0, or I4.0), which generate a number of potential benefits for our customers.

The following graphic demonstrates ScoutCam's value proposition, starting with increased safety and reduced down time due to our ability to visually analyze any failure occurrence in real time, and including more sophisticated benefits like big data analytics that provide predictive insights regarding to an entire system life cycle, spare parts management and smart prediction regrading system performance.



Who we are: History and Background

We were incorporated as a corporation under the laws of the State of Nevada on March 22, 2013, under the name Intellisense Solutions Inc. We were initially engaged in the business of developing web portals to allow companies and individuals to engage in the purchase and sale of vegetarian food products over the Internet. However, we were unable to execute our original business plan, develop significant operations or achieve commercial sales.

We received initial funding in March 2014 in the aggregate amount of \$19,980 through the sale of common stock to two of our former officers and directors, who purchased in the aggregate 1,998,000 shares of our common stock at \$0.01 per share.

On January 10, 2019, we formed Canna Patch Ltd., or Canna Patch, an Israeli corporation, of which 90% was initially owned by our Company, and the remaining 10% owned by Rafael Ezra, Canna Patch's Chief Technology Officer. Canna Patch did not have any operations and on December 4, 2019, we sold 100% of our holdings in Canna Patch.

On September 16, 2019, Intellisense and Medigus Ltd., an Israeli company traded on the Nasdaq Capital Market, entered into an Exchange Agreement (as defined herein).

On December 30, 2019, we acquired ScoutCam Ltd. As a result of our acquisition of ScoutCam Ltd., we now own all of ScoutCam Ltd.'s issued and outstanding share capital and have integrated and adopted ScoutCam Ltd.'s business into our Company as our primary business activity.

ScoutCam Ltd. was formed in the State of Israel on January 3, 2019, as a wholly-owned subsidiary of Medigus and commenced operations on March 1, 2019. ScoutCam Ltd. was incorporated as part of a reorganization of Medigus, which was designed to distinguish ScoutCam Ltd.'s miniaturized imaging business, or the micro ScoutCam™ portfolio, from Medigus' other operations and to enable Medigus to form a separate business unit with dedicated resources focused on the promotion of such technology. On December 1, 2019, Medigus and ScoutCam Ltd. consummated a certain Amended and Restated Asset Transfer Agreement, which transferred and assigned certain assets and intellectual property rights related to its miniaturized imaging business. On May 18, 2020, in connection with the Arkin Transaction (as defined below), the Company and Medigus entered into a certain Side Letter Agreement (the "Letter Agreement"), whereby the parties agreed to amend certain terms of the Amended and Restated Asset Transfer Agreement and the License Agreement.

On April 20, 2020, ScoutCam Ltd. entered into an Amended and Restated Intercompany Services Agreement with Medigus (the "Intercompany Services Agreement"), which effectively amended and restated an intercompany services agreement dated May 30, 2019.

For additional information about the Exchange Agreement, the Amended and Restated Asset Transfer Agreement, the Letter Agreement and the Intercompany Services Agreement, refer to – "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE" below.

Sales and Marketing

ScoutCam's vision is to become a leading provider of video analytics based, PdM solutions for the aerospace, other industry and medical critical system markets.

We engage companies seeking to add video visualization to their existing or new product(s) or considering the development of new products that include micro video visualization. Our approach to the medical market is ordinarily conducted in two phases. During the first phase, we conduct the research and development that is required in order to specify, design, develop, and produce the designated visualization apparatus, for an agreed-upon compensation amount (e.g., a non-recurrent engineering fee). During the second phase, we manufacture the apparatus and offer it to the customer for an agreed-upon transfer price.

In the I4.0 domain, which target PdM and CBM applications, we engage with companies that wish to increase the monitoring capabilities of different elements of a device using our visual monitoring solutions (these include build of image acquisition, data collection and storage, and image processing capabilities based on AI, ML, cloud, and additional algorithm concepts). Based on our product portfolio with customized solutions as needed, this will allow our customers to receive real time alerts on anomalies and failures of monitored components, analyze and track trends and development of the anomaly, and predict any impending failure of the component as a result of such anomaly over time and usage. As a result, we expect customers to benefit from a reduction in downtime, lower maintenance expenses, and increased safety of their monitored equipment, using the prediction capabilities of the platform to efficiently plan maintenance work on future faulty components. Another outcome we expect is more cost effective management of resources, since components will only need to be replaced as a result of their actual condition rather than a strict maintenance schedule.

The use of an image based platform in the fields of PdM and CBM provides richer and more informative data and insights than traditional sensing methods. Together with the AI and ML models customized for the relevant use cases, we expect this will provide customers with a clearer view of the status of their equipment, increasing revenues by saving on direct expenses, and increasing the uptime of their equipment.

On February 6, 2023, we announced the completion of a major development stage in equipping Elbit Systems Ltd.'s leading defense UAS aerial platforms with our real time video monitoring system. Through the program, our unique video-based sensors, embedded software, machine vision and algorithms support a variety of predictive maintenance and condition-based monitoring use cases for unmanned aerial vehicles in harsh environments and hard-to-reach locations, as it features a modular open system architecture, enabling seamless integration with advanced unmanned aerial platforms.

In order to engage new customers, we employ various marketing strategies. We employ several professional experienced managers in relevant fields of expertise, in addition to a team of consultants who analyze global trends and designated geographical territories to assist us in targeting potential customers.

Our marketing efforts include, but are not limited to, the following:

- engaging third party companies and local consultants as territorial representatives in key markets and leading companies in relevant industries;
- initiating business engagements based on leads received through our marketing efforts, through active interaction with key industry influencers, providing financed proof of concept in order to generate tailored product orders, or via other methods or means;
- conducting proof of concept demonstrations in order to evaluate the feasibility of integration for monitoring their systems and to demonstrate the significant value proposition of our technology to customers;
- networking through personal contacts in the aerospace, critical industry, transportation, maritime, medical, and defense industries; and
- participating in major aerospace, maritime, and vision technology exhibitions as well as industry 4.0 specific events.

In addition to our business development efforts that are mainly based on currently existing or future customer needs, we aim to identify new market opportunities. These efforts include systematic analysis of various industrial and medical fields and procedures to identify where visualization solutions, including image analysis, might add value. When a potential opportunity is identified, we seek to protect our rights by establishing relevant intellectual property safeguards, developing prototypes for the required application. In the medical domain, we currently sell our system to a fortune 500 corporation; in this respect, we seek to partner with additional relevant companies to progress our technology into prototypes which, in turn, will be developed into market-ready products.

In January 2022, we entered into a patent cross-licensing arrangement with Japan-based Sumita Optical Glass, Inc. (Sumita), a specialty optical fiber technology company, pursuant to which we granted a non-exclusive license to Sumita to our patents related to "Small Diameter Video Camera Heads and Medical Devices and Visualization Probes containing them" in return for payment of royalties and a grant-back license to ScoutCam of Sumita's patent and patent applications related to fiber optics illumination. For additional information on our patent portfolio, refer to – "PROPRIETARY RIGHTS AND TECHNOLOGY" below.

Our Customers

Currently, we have one major customer, a leading Fortune 500 multinational healthcare corporation, that is expected to generate most of our forecasted revenue in the near term. In June 2022, we announced that we completed the verification and validation stage of our miniature camera solution with this client and, on January 26, 2023, we announced that we had received an order from this client for \$1.45 million.

In addition, we derive a substantial portion of our revenue from applications of our micro visualization technology within the medical field.

In addition, we announced the completion of a major development stage to equip Elbit Systems Ltd.'s leading defense UAS aerial platforms with our real time video monitoring system.

Competition

There are currently several companies that develop and provide monitoring solutions for PdM and CBM. These monitoring solutions can be the sensor itself, data collection and storage, AI processing, or a combination of these capabilities. The CBM and PdM solutions are usually based on traditional sensing solutions such as vibration, temperature, and acoustic sensors. Based on our research and discussions with customers, we believe these traditional sensing methods are limited in their ability to provide an in depth view of the condition of the monitored components and usually alert on the occurrence of an anomaly when component failure has already occurred, which is too late in some cases. From the AI perspective, there are several vendors providing off-the-shelf AI capabilities which then require customization per market, use case, and/or data source. We believe that our more holistic approach and reliance on image-based solutions creates richer and more informative data, leveraged by AI and ML algorithms, enabling our customers to deploy predictive maintenance programs.

Proprietary Rights and Technology

Our solution for the market is based on our core intellectual property which we seek to review and patent on a regular basis, where applicable. We are heavily invested in creating patents for our core technology.

Our patent portfolio currently contains patent families which we consider material to our business and operating success. Our intellectual property rights include patents and patent applications that were transferred to us by Medigus as part of the Addendum No. 1 to Amended and Restated Asset Transfer Agreement (the "Addendum"), the License Agreement and the Letter Agreement, and additional patent assets developed by ScoutCam. For additional information about the License Agreement refer to – "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE" below. Under the Addendum, and subject to certain limitations as further set forth therein, Medigus transferred to us the following material patent families in exchange for a license in connection with the marketing and sale of the Medigus Ultrasonic Surgical Endostapler:

- Patent family related to Integrated Endoscope Irrigation: this patent family relates to our ability to develop visualization components and endoscopes, which include irrigation with a smaller outer diameter by saving the space of the tube that is required to lead the fluids in a conventional manner. This patent has been granted in Canada, Europe (validated in Germany, Spain, France, Great Britain and Italy), Israel, Japan (original and divisional), and the United States (two patents), and has two pending continuations in the United States. The expiration dates for the two patents in the United States are November 28, 2033 and February 28, 2033;

- Patent family related to Small Diameter Video Camera Heads and Medical Devices and Visualization Probes containing them: this patent family relates to our ability to develop cameras, visualization components, and medical devices with a small diameter, thus enabling the insertion of the camera into smaller cavities or leaving more space in the device for the use and application of other functions, such as a working channel. This patent has been granted in Japan, Korea, Israel, the United States (2 patents, original and continuation in part), and Europe (3 patents, original and 2 divisionals, currently under appeal after opposition proceedings, validated in Germany, France, Great Britain, and Italy). The expiration dates for these patents are March 16, 2031 (for the patents in the United States), and September 16, 2030 (for patents in each of the other aforementioned jurisdictions).

As a result of oppositional proceedings initiated by a third party in 2018, the Opposition Division of the EU Patent Office decided in 2019 to revoke two of the three European patents (EP 2.478.693 and EP 2.621.159) and in 2021 to maintain the third patent (EP 2.621.158). Following appeals by Company and the third party of the 2019 and 2021 decisions, respectively, the Opposition Division of the EU Patent Office is expected to hear and decide these matters in early 2024;

As a result of a supplemental examination filed by the Company regarding one of the U.S. Patents (10,188,275), the U.S. Patent Office decided to open reexamination proceedings for 23 of the 24 granted claims. The U.S. Patent Office is expected to conduct the reexamination proceedings during the course of 2024; and

In addition, our intellectual property rights further include the following material patent applications filed by ScoutCam:

- Patent family related to Miniature Precision Medical Device: these pending patent applications relate to our ability to develop a miniature precision medical device comprising an endoscope with at least one camera, where at least one sensor of one camera is distally located at a tip of a shaft of the endoscope. Surrounding or next to the sensor, such shaft has sufficient space to accommodate at least one accessory such as, for example, illumination source, irrigation tool, or suctioning tool. This patent family has pending patent application in the United States and its expected expiry dates, if issued, will be in 2039-2040.

- Patent family related to Medical Ophthalmic Device: this patent family is related to a tool comprising a hand piece having a flattened cannulated tip that is adapted to receive flow from a pumping unit, in order to generate a jet of fluid suitable for procedures such as “hydro-dissecting” cells in the eye. According to a representation of the invention, the tool comprises a visualization probe with at least one camera, wherein the sensor of the camera is distally located at the tip of the tool to be inserted into the eye for imaging from within the eye. This patent family is pending in China, Europe, Japan, Korea, and the United States. The patent application’s expected expiry dates, if issued, will be in 2039-2040.

- Patent family related to Systems and Methods for Monitoring Potential Failure in a Machine or a Component Thereof. This patent family relates to system and methods for monitoring potential failure in a machine or a component thereof using at least one optical sensor. Such sensors can be used in conjunction with diagnostic software/hardware tools to display and analyze changes in critical images that could not have been displayed or analyzed using existing systems. This patent family includes a pending Patent Cooperation Treaty patent application and national phase applications filed in Israel and the U.S. If ultimately issued by the United States Patent and Trademark Office, such patent would be expected to expire in early 2042. Additional national phase patent application can be filed in other jurisdictions by the end of July 2023.

We have also applied for provisional applications relating to our predictive maintenance innovative technology and developments. All of these applications are expected to have a lifetime of 20 years from filing.

Despite our efforts to protect our intellectual property, unauthorized parties may still copy or otherwise obtain and use our technology. For additional information, refer to – “WE MAY NOT BE SUCCESSFUL IN ENFORCING OUR INTELLECTUAL PROPERTY RIGHTS AGAINST THIRD PARTIES” below.

Employment

We currently have approximately 45 full-time (or near full-time) employees. This number is expected to grow. We may recruit additional employees to the R&D team.

Research and Development

Our R&D organization is responsible for the design, development, testing, and delivery of new technologies, features, products, and integrations of our component parts. Research and development employees are located primarily in our principal corporate office on Omer, Israel. We currently have approximately 21 employees in our research and development organization. We intend to continue to invest in our research and development capabilities.

Our R&D efforts are focused on the following areas: (i) maturing our multi camera solution based on advanced visualization sensor technologies focusing on sensing, computing, and prediction, cooperating with customers for mutual development projects that demonstrate our technology by reaching customer KPIs and (ii) our industrial cloud-based product, which leverages our already in place cloud environment to develop mutual proof of concept and minimal valuable product for our customers that enable cloud base solutions for customer KPIs.

Regulation

Our approach to regulation is generally determined based on a given project. In our engagements with customers operating in the biomedical sector, we comply with the medical device standards in that corresponding territory, such as the FDA or International Organization for Standardization (ISO), among others. Compliance with these regulations is achieved through our QA department and the support we receive from highly experienced quality assurance and regulatory affairs consultants. In addition, we are being audited annually by MEDCERT GmbH, a German Notified Body.

For instance, ISO 13485:2016 is a regulatory benchmark that we comply with while working on our medical device projects. ISO 13485:2016 is similar to ISO 9001 in terms of its quality management system (QMS) requirements, however, ISO 13485:2016 is generally considered more rigorous and comprehensive.

Given that we do not manufacture or distribute end-user products to the medical sector, and instead service businesses pursuant to a B2B model, we are subject to fewer regulatory standards commonly associated with medical device manufacturers or distributors. We develop and manufacture components for other companies, and therefore our involvement in the regulatory submission demands comparatively less responsibility. This notwithstanding, we communicate with business customers in order to identify certain regulatory dimensions inherent to a project, to which we should pay additional attention. For example, when a component of ours is integrated into a business's end-user product, such as for the purpose of touching human tissue, we develop and manufacture our parts and components while taking into account certain applicable regulatory standards. These standards might include, inter alia, relevant FDA regulations (e.g. CFR 21 part 820, the medical device reporting requirements (MDR), among others) as well as ISO regulations (e.g. ISO 14644-1, specifically in connection with cleanrooms and associated controlled environments, among other items, or ISO 10993, in connection with the biological evaluation of medical devices). Furthermore, we prioritize our team's compliance with the Restriction of Hazardous Substances Directives (RoHS) and REACH (EC 1907/2006).

Similarly, if a component part of ours is incorporated into an electronic device for the purpose of being used inside a human body, we comply with certain FDA requirements as well as IEC 60601 for safety and electrostatic discharge, including the heating of parts at more than 42 degrees Celsius and a variety of additional technical standards designed for the safety and essential performance of electronic medical equipment. Moreover, we perform risk management assessments in accordance with EN ISO 14971:2019 and ISO/TR 24971:2020.

In certain instances, our customers prefer that we conduct the testing of its products in internationally certified labs in order to further guarantee that our component parts satisfy applicable regulatory standards. In this scenario, we perform the required tests as a service to the customer and provide the customer with the official test results, specifically in accordance with ISO/IEC 17025:2017, which the customer can later use in order to apply for the required marketing clearance of its end-user product.

Since we are seeking to sell our products to customers in the aviation sector, we have completed the process of implementing the AS9100D Standard to comply with aerospace industry requirements.

As a U.S. company with foreign offices, we are subject to a variety of foreign laws governing our foreign operations, as well as U.S. laws that restrict trade and certain practices, such as the Foreign Corrupt Practices Act.

As a result of certain agreements between Medigus and ScoutCam Ltd. (for additional information about these agreements refer to – “CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE” below) the Israel Innovation Authority, or the IIA, approved a transfer of IIA know-how developed by Medigus in the framework of the Bio Medical Photonic Consortium, or the Medigus Consortium, to ScoutCam Ltd.

Accordingly, all rights and obligations with regard to the IIA under the Encouragement of Research, Development and Technological Innovation in the Industry Law, 5744-1984, or the Innovation Law, in connection with such know-how now apply to ScoutCam Ltd.

The following are details regarding the rights and obligations within the framework of ScoutCam Ltd.’s activity in the Medigus Consortium, which continue to apply to ScoutCam Ltd. notwithstanding the termination of the Medigus Consortium:

- (i) The property rights to information which has been developed belongs to the Medigus Consortium member that developed it. However, the developing entity is obligated to provide the other members in the Medigus Consortium a license for the use of the new information, without consideration, provided that the other members do not transfer such information to any entity which is not a member of the Medigus Consortium. The provision of a license or of the right to use the new information to a third party is subject to approval by the administration of the MAGNET Program at the IIA;
- (ii) The Medigus Consortium member is entitled to register a patent for the new information which has been developed by it within the framework of its activity in the Medigus Consortium. The foregoing registration does not require approval from the administration of the MAGNET Program at the IIA; and
- (iii) The know-how and technology developed under the program is subject to the restrictions set forth under the Innovation Law, including restrictions on the transfer of such know-how and any manufacturing rights with respect thereto, without first obtaining the approval of the IIA. Such approval may entail additional payments to the IIA, as determined under the Innovation Law and regulations.

Obligations relevant to us under the Innovation Law include the following:

- **Local Manufacturing Obligation.** The terms of the grants under the Innovation Law require that we manufacture the products developed with these grants in Israel. Under the regulations promulgated under the Innovation Law, the products may be manufactured outside Israel by us or by another entity only if prior approval is received from the IIA (such approval is not required for the transfer of less than 10% of the manufacturing capacity in the aggregate, in which case a notice should be provided to the IIA). In general, due to manufacturing outside Israel, with respect to royalties bearing grants we would be required to pay royalties at an increased rate, usually 1% in addition to the standard rate and increased royalties cap (between 120% and 300% of the grants, depending on the manufacturing volume that is performed outside Israel).
- **Know-How Transfer Limitation.** The Innovation Law restricts the ability to transfer, in any manner, know-how funded directly or indirectly by the IIA (sale of products is not prohibited), unless the IIA approves doing so and subject to the terms of the Innovation Law and of the IIA’s approval.

Among other things, transfer of IIA funded know-how outside of Israel requires prior approval of IIA and in certain circumstances is subject to certain payments to the IIA, calculated according to a formula provided under the Innovation Law. If we wish to transfer IIA funded know-how outside of Israel, the terms for approval will be determined according to the character of the transaction and the consideration paid to us for such transfer. The IIA approval to transfer know-how created, in whole or in part, in connection with a IIA-funded project to third party outside Israel where the transferring company remains an operating Israeli entity is subject to payment of a redemption fee to the IIA calculated according to a formula provided under the Innovation Law that is based, in general, on the ratio between the aggregate IIA grants to the company’s aggregate investments in the project that was funded by these IIA grants, multiplied by the transaction consideration, considering statutory depreciation and less royalties already paid to the IIA. The transfer of such know-how to a party outside Israel where the transferring company ceases to exist as an Israeli entity is subject to a redemption fee formula that is based, in general, on the ratio between aggregate IIA grants received by the company and the company’s aggregate research and development expenses, multiplied by the transaction consideration considering statutory depreciation and less royalties already paid to the IIA.

The regulations promulgated under the Innovation Law establish a maximum payment of the redemption fee paid to the IIA under the above mentioned formulas and differentiates between two situations: (i) in the event that the company transfers its IIA funded know-how, in whole or in part, or is sold as part of an M&A transaction, and subsequently ceases to conduct business in Israel, the maximum redemption fee under the above mentioned formulas will be no more than six times the amount received (plus annual interest) for the applicable know-how being transferred, or the entire amount received from the IIA, as applicable; (ii) in the event that following the transactions described above (e.g. asset sale of IIA funded know-how or transfer as part of an M&A transaction) the company continues to conduct its research and development activity in Israel (for at least three years following such transfer and maintain staff of at least 75% of the number of research and development employees it had for the six months before the know-how was transferred and keeps the same scope of employment for such research and development staff), then the company is eligible for a reduced cap of the redemption fee of no more than three times the amounts received (plus annual interest) for the applicable know-how being transferred. In addition, special rules and payment formulas apply for certain kinds of transfers of know-how outside of Israel, such as R&D licenses. Transfer of IIA-funded know-how outside of Israel not according to the R&D Law may give rise to financial exposure as well as criminal liability.

- Approval of the transfer of IIA funded technology to another Israeli company may be granted only if the recipient assumes and abides by the provisions of the Innovation Law and related regulations, including the restrictions on the transfer of know-how and manufacturing rights outside of Israel (in addition, there will be an obligation to pay royalties to the IIA from the income of such sale transaction as part of the royalty payment obligation).
- Approval to manufacture products outside of Israel or consent to the transfer of technology, if requested, might not be granted. Furthermore, the IIA may impose certain conditions on any arrangement under which it permits ScoutCam Ltd. to transfer technology or development out of Israel.

ITEM 1A. RISK FACTORS

Risk Factor Summary

Below is a summary of the principal factors that make an investment in the Company speculative or risky. This summary does not address all of the risks that we face. Additional discussion of the risks summarized in this risk factor summary, and other risks that we face, can be found below, after this summary, and should be carefully considered.

Risks Related to Our Business, Operations and Financial Condition

- We have had a limited operating history and may not be able to successfully operate our business or execute our business plan.
- If we are unable to establish sales, marketing and distribution capabilities or enter into successful relationships with business targets and third parties to perform these services, we may not be successful in commercializing our products and technology.
- We may require substantial additional funding, which may not be available to us on acceptable terms, or at all.
- Our failure to effectively manage growth could impair our business.
- Our commercial success depends upon the degree of market acceptance by prospective markets and industries.
- Weakened global economic conditions may harm our industry, business and results of operations.
- The continuing effects of the COVID-19 pandemic are highly unpredictable and could be significant, and the duration and extent to which this will impact our future results of operations and overall financial performance remains uncertain.

Risk Related to Third Parties

- Our reliance on third-party suppliers for most of the components of our products, including miniature video sensors could harm our ability to meet demand for our products in a timely and cost-effective manner.
- We may not be able to manage our strategic partners.
- We may not have sufficient manufacturing capabilities to satisfy any growing demand for our products. We may be unable to control the availability or cost of producing such products.

Risks Related to Competition

- We expect to face some competition possibly from our customer. If we cannot successfully compete there might be adverse effect on the company.
- Failure to comply with anti-bribery, anti-corruption and anti-money laundering laws could subject us to penalties and other adverse consequences.

Risks Related to Intellectual Property

- We may not be able to obtain all possible patents or other intellectual property rights necessary to protect our proprietary technology and business.
- We may not be successful in enforcing our intellectual property rights against third parties.
- We may be subject to infringement claims and other litigation, which could adversely affect our business.
- Governmental regulation of non-practicing patent holders may adversely affect our business.

General Risk Factors Related to Our Business

- Our business and operations would suffer in the event of computer system failures, cyber-attacks, or deficiencies in our cyber-security.
- We may be subject to product liability claims, product actions, including product recalls, and other field or regulatory actions that could be expensive, divert management's attention, and harm our business.
- Testing of our technologies potential applications for our products will be required and there is no assurance of regulatory approval.
- We rely on highly skilled personnel, and, if we are unable to attract, retain, or motivate qualified personnel, we may not be able to operate our business effectively.

Risks Related to this Offering and Our Common Stock

- Although we have filed an application to list our securities on Nasdaq, there can be no assurance that our securities will be so listed or, if listed, that we will be able to comply with the continued listing standards.
- Trading on the OTC Markets is volatile, sporadic and often thin, which could depress the market price of our common stock and make it difficult for our stockholders to resell their common stock.
- Nevada law and provisions in our amended and restated articles of incorporation and amended and restated bylaws could make a merger, tender offer or proxy contest difficult, thereby depressing the market price of our common stock.
- The market price of our common stock may be highly volatile and such volatility could cause you to lose some or all of your investment.
- Because our common stock may be deemed a "penny stock," it may be more difficult for investors to sell shares of our common stock, and the market price of our common stock may be adversely affected.
- Compliance with the reporting requirements of federal securities laws can be expensive.
- Our investors' ownership in the Company may be diluted in the future.
- Directors, executive officers, principal stockholders, and affiliated entities own a significant percentage of our capital stock, and they may make decisions that our stockholders do not consider to be in their best interests.
- We do not anticipate paying any cash dividends in the foreseeable future.

Risks Related to our Operations in Israel

- We are subject to the risks of political, economic, health, and military instability in countries outside the United States in which we operate.
- Political, economic and military instability in Israel may impede our ability to operate and harm our financial results.
- It may be difficult for investors in the United States to enforce any judgments obtained against us or some of our directors or officers.
- Exchange rate fluctuations between foreign currencies and the U.S. Dollar may negatively affect our earnings.
- Certain technology developed and used by us received Israeli government grants for certain research and development activities. The terms of those grants require us to satisfy specified conditions in addition to repayment of the grants upon certain events.
- We may become subject to claims for remuneration or royalties for assigned service invention rights by our employees, which could result in litigation and adversely affect our business.

Certain factors may have a material adverse effect on our business, financial condition, and results of operations. You should carefully consider the following risks, together with all of the other information contained in this Annual Report on Form 10-K, including the sections titled "Forward-Looking Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the related notes included elsewhere in this Annual Report on Form 10-K. Any of the following risks could materially and adversely affect our business, strategies, prospects, financial condition, results of operations, and cash flows. In such case, the market price of our common stock could decline. Our business, prospects, financial condition, or results of operations could also be harmed by risks and uncertainties not currently known to us or that we currently do not believe are material.

Risks Related to Our Business, Operations and Financial Condition

We have had a limited operating history and may not be able to successfully operate our business or execute our business plan.

Given our limited operating history, it is hard to evaluate our proposed business and prospects. Our proposed business operations will be subject to numerous risks, uncertainties, expenses and difficulties associated with early-stage enterprises. Such risks include, but are not limited to, the following:

- the absence of a lengthy operating history;
- potential for ongoing operating losses;
- operating in multiple currencies;
- our ability to anticipate and adapt to a developing market(s);
- acceptance of our products by the medical and industrial (I4.0) markets and consumers;
- introducing innovation to conservative industries;
- development risks and implementation of new software and algorithm for AI and cloud utilization;
- insufficient capital to fully realize our operating plan;
- a competitive environment;
- the ability to identify, attract, and retain qualified personnel; and
- operating in an environment that is highly regulated by a number of agencies.

Because we are subject to these risks, evaluating our business may be difficult, our business strategy may be unsuccessful and we may be unable to address such risks in a cost-effective manner, if at all. We have not earned a profit in any full fiscal year since our inception, and we cannot be certain as to when or if we will achieve or maintain profitability. If we are unable to successfully address these risks our business could be harmed.

If we are unable to establish sales, marketing and distribution capabilities or enter into successful relationships with business targets and third parties to perform these services, we may not be successful in commercializing our products and technology.

Given that we are currently as a B2B company, our business is reliant on our ability to successfully attract potential business targets. Furthermore, we have a limited sales and marketing infrastructure and have limited experience in the sale, marketing, or distribution of our technologies beyond the B2B model. To achieve commercial success for our technologies or any future developed product, we will need to establish a sales and marketing infrastructure or to out-license such future products.

In the future, we may consider building a focused sales and marketing infrastructure to market any developed products and potentially other products in the United States or elsewhere in the world. There are risks involved with establishing our own sales, marketing, and distribution capabilities. For example, recruiting and training a sales force could be expensive and time consuming and could delay any product launch. This may be costly, and our investment would be lost if we cannot retain or reposition our sales and marketing personnel.

Factors that may inhibit our efforts to commercialize any future products on our own include:

- we have not recruited adequate numbers of effective sales and marketing personnel;
- the challenge of sales personnel to obtain access to potential customers;
- the lack of complementary products to be offered by sales personnel or lack of product-market fit, which may put us at a competitive disadvantage relative to companies with more extensive product lines; and
- unforeseen costs and expenses associated with creating an independent sales and marketing organization.

If we are unable to establish our own sales, marketing, and distribution capabilities or enter into successful arrangements with third parties to perform these services, we will not be successful in commercializing our technologies or any future products we may develop and our revenues and profitability may be materially adversely affected.

We may require substantial additional funding, which may not be available to us on acceptable terms, or at all.

Our cash and short-term deposit balance as of December 31, 2022 was \$13.1 million. We may require additional funding to fund and grow our operations and to develop certain products. There can be no assurance that financing will be available in amounts or on terms acceptable to us, if at all. In the event we required additional capital, the inability to obtain such capital will restrict our ability to grow and may reduce our ability to continue to conduct business operations. If we require and are unable to obtain additional financing, we will likely be required to curtail our development plans. In that event, current stockholders would likely experience a loss of most or all of their investment. Additional funding that we do obtain may be dilutive to the interests of existing stockholders.

Our failure to effectively manage growth could impair our business.

Our business strategy contemplates a period of rapid growth which may put a strain on our administrative and operational resources, and our funding requirements. Our ability to effectively manage growth will require us to successfully expand the capabilities of our operational and management systems, and to attract, train, manage, and retain qualified personnel. There can be no assurance that we will be able to do so, particularly if losses continue and we are unable to obtain sufficient financing. If we are unable to appropriately manage growth, our business, prospects, financial condition, and results of operations could be adversely affected.

Our commercial success depends upon the degree of market acceptance by such prospective markets and industries as defense and aviation, as well as by the medical community.

Our current business model is that of a B2B approach in which we seek to identify target businesses interested in integrating our technology or commissioning individual projects using our technology. Any product that we commission or that is brought to the market may or may not gain market acceptance by prospective customers. The commercial success of our technologies, commissioned products, and any future product that we may develop depends in part on the medical community as well as other industries for various use cases, depending on the acceptance by such industries of our commissioned products as a useful and cost-effective solution compared to current technologies. During 2022, we commenced proactive market penetration into industries other than the biomedical sector, such as the defense and aviation industries. If our technology or any future product that we may develop does not achieve an adequate level of acceptance, or does not garner significant commercial appeal, we may not generate significant revenue and may not become profitable. The degree of market acceptance will depend on a number of factors, including:

- the cost, safety, efficacy/performance, perceived value and convenience of our technology and any commissioned product and any future product that we may develop in relation to alternative products;
- the ability of third parties to enter into relationships with us;
- the effectiveness of our sales and marketing efforts;
- the strength of marketing and distribution support for, and timing of market introduction of, competing technology and products; and
- publicity concerning our technology or commissioned products or competing technology and products.

Our efforts to penetrate industries and educate the marketplace on the benefits of our technology, and reasons to seek the commissioning of products based on our technology, may require significant resources and may never be successful. Such efforts to educate the marketplace may require more resources than are required by conventional technologies.

Weakened global economic conditions may harm our industry, business and results of operations.

Our overall performance depends in part on worldwide economic conditions. Global financial developments and downturns seemingly unrelated to us or may harm us. The United States and other key international economies have been affected from time to time by falling demand for a variety of goods and services, restricted credit, reduced liquidity, reduced corporate profitability, volatility in credit, equity and foreign exchange markets, bankruptcies, inflation and overall uncertainty with respect to the economy, including with respect to tariff and trade issues. Weak economic conditions or the perception thereof, or significant uncertainty regarding the stability of financial markets related to stock market volatility, inflation, recession, changes in tariffs, trade agreements, or governmental fiscal, monetary and tax policies, among others, could adversely impact our business, financial condition and operating results.

More recently, inflation rates in the U.S. have been higher than in previous years, which may result in decreased demand for our products and services, increases in our operating costs including our labor costs, constrained credit and liquidity, reduced government spending and volatility in financial markets. The Federal Reserve has raised, and may again raise, interest rates in response to concerns over inflation risk. Increases in interest rates on credit and debt that would increase the cost of any borrowing that we may make from time to time and could impact our ability to access the capital markets. Increases in interest rates, especially if coupled with reduced government spending and volatility in financial markets, may have the effect of further increasing economic uncertainty and heightening these risks. In an inflationary environment, we may be unable to raise the sales prices of our products at or above the rate at which our costs increase, which could reduce our profit margins and have a material adverse effect on our financial results and net income. We also may experience lower than expected sales and potential adverse impacts on our competitive position if there is a decrease in consumer spending or a negative reaction to our pricing. A reduction in our revenue would be detrimental to our profitability and financial condition and could also have an adverse impact on our future growth.

The continuing effects of the COVID-19 pandemic are highly unpredictable and could be significant, and the duration and extent to which this will impact our future results of operations and overall financial performance remains uncertain.

The extent to which the COVID-19 pandemic ultimately impacts our business will depend on future developments, which are highly uncertain and cannot be predicted, such as the duration of future outbreaks, including current and subsequent variants of COVID-19, travel restrictions and social distancing in Israel, the United States and other countries, business closures or business disruptions, and the effectiveness of actions taken in Israel, the United States and other countries to contain and treat the disease and to address its impact, including on financial markets or otherwise. These measures have impacted, and may further impact, our suppliers and other business partners from conducting business activities as usual (including, without limitation, the availability and pricing of materials, manufacturing and delivery efforts, clinical trials and other aspects that may affect our business) for an unknown period of time. In addition, we, our suppliers and other business partners may experience significant impairments of business activities due to operational shutdowns or suspensions that may be requested or mandated by national or local governmental authorities or self-imposed by us, our suppliers or other business partners.

Risk Related to Third Parties

Our reliance on third-party suppliers for most of the components of our products could harm our ability to meet demand for our products in a timely and cost-effective manner.

We rely on our third-party suppliers to obtain an adequate supply of quality components on a timely basis with favorable terms to manufacture our commissioned products. Some of those components that we sell are provided to us by a limited number of suppliers. We will be subject to disruptions in our operations if our sole or limited supply contract manufacturers decrease or stop production of components or do not produce components and products of sufficient quantity or quality. Alternative sources for our components will not always be available.

Though we attempt to ensure the availability of more than one supplier for each important component in any product that we commission, the number of suppliers engaged in the provision of miniature video sensors which are suitable for our CMOS technology mainly in the medical domain is very limited, and therefore in some cases we engage with a single supplier, which may result in our dependency on such supplier. This is the case regarding sensors for the CMOS type technology that are produced by a single supplier in the United States. As we do not have a direct general contract in place with this supplier, there is no contractual commitment on the part of such supplier for any set quantity of such sensors. The loss of our sole supplier in providing us with miniature sensors for our CMOS technology products mainly in the medical domain, and our inability or delay in finding a suitable replacement supplier, could negatively affect our business, financial condition, results of operations, and reputation.

We are also subject to other risks inherent in the manufacturing of our products and their supply chain, including industrial accidents, natural disasters (including as a result of climate change), environmental events, strikes, and other labor disputes, capacity constraints, disruptions in material or packaging supplies, as well as global shortages, disruptions in supply chain or information technology, loss or impairment of key manufacturing sites or suppliers, product quality control, safety, increase in commodity prices and energy costs, licensing requirements and other regulatory issues, as well as other external factors over which we have no control. If such an event were to occur, it could have an adverse effect on our business, financial condition, and results of operations.

In addition, if we cannot supply commissioned products or future potentially developed products due to a lack of components or are unable to utilize other components in a timely manner, our business will be significantly harmed. If inventory shortages occur, they could be expected to have a material and adverse effect on our future revenues and ability to effectively project future sales and operating results.

We may not be able to manage our strategic partners effectively.

We have entered into, and we may continue to enter into, strategic alliances with third parties to gain access to new and innovative technologies and markets. These parties are often large, established companies. Negotiating and performing under these arrangements involves significant time and expense, and we may not have sufficient resources to devote to our strategic alliances, particularly those with companies that have significantly greater financial and other resources than we do. The anticipated benefits of these arrangements may never materialize and performing under these arrangements may adversely affect our results of operations.

Failure to manage our current partners effectively or enter into new strategic alliances may affect our success in executing our business plan and may adversely affect our business, financial condition, and results of operation. We may not realize the anticipated benefits of any or all partnerships or may not realize them in the time frame expected.

We may not have sufficient manufacturing capabilities to satisfy any growing demand for our commissioned products. We may be unable to control the availability or cost of producing such products.

Our current manufacturing capabilities may not reach the required production levels necessary in order to meet growing demands for any products we may commission or future products we may develop. There can be no assurance that our commissioned products can be manufactured at our desired commercial quantities, in compliance with our requirements, and at an acceptable cost. Any such failure could delay or prevent us from shipping said products and marketing our technologies in accordance with our target growth strategies.

Risks Related to Competition

We expect to face competition. If we cannot successfully compete with new or existing technologies or future developed products, our marketing and sales will suffer and we may never be profitable.

We expect to compete against existing technologies and proven products in different industries. In addition, some of these competitors, either alone or together with their collaborative partners, operate larger research and development programs than we do, and may have substantially greater financial resources than we do, as well as significantly greater experience in obtaining regulatory approvals applicable to the commercialization of relevant competitive technologies and future products.

Failure to comply with anti-bribery, anti-corruption and anti-money laundering laws could subject us to penalties and other adverse consequences.

We are subject to the U.S. Foreign Corrupt Practices Act, or the FCPA, Chapter 9 (sub-chapter 5) of the Israeli Penal Law, 5737-1977, and the Israeli Prohibition on Money Laundering Law, 5760-2000, collectively, the Israeli Anti-Corruption Laws, and the UK Bribery Act 2010, or UK Bribery Act, and other anticorruption, anti-bribery and anti-money laundering laws in the jurisdictions in which we do business, both domestic and abroad. These laws generally prohibit us and our employees from improperly influencing government officials or commercial parties in order to obtain or retain business, direct business to any person or gain any advantage. The FCPA, the Israeli Anti-Corruption Laws, the UK Bribery Act, and other applicable anti-bribery and anti-corruption laws also may hold us liable for acts of corruption and bribery committed by our third-party business partners, representatives and agents. In addition, we leverage third parties to sell our products and conduct our business abroad. We and our third-party business partners, representatives and agents may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities and we may be held liable for the corrupt or other illegal activities of these third-party business partners and intermediaries, our employees, representatives, contractors, channel partners and agents, even if we do not explicitly authorize such activities. These laws also require that we keep accurate books and records and maintain internal controls and compliance procedures designed to prevent any such actions. While we have policies and procedures to address compliance with such laws, we cannot assure you that our employees and agents will not take actions in violation of our policies or applicable law, for which we may be ultimately held responsible and our exposure for violating these laws increases as our international presence is established and as we increase sales and operations in foreign jurisdictions. Any violation of the FCPA, the Israeli Anti-Corruption Laws, the UK Bribery Act, or other applicable anti-bribery, anti-corruption laws and anti-money laundering laws could result in whistleblower complaints, adverse media coverage, investigations, imposition of significant legal fees, loss of export privileges, severe criminal or civil sanctions or suspension or debarment from U.S. government contracts, substantial diversion of management's attention, a decline in the market price of our common stock or overall adverse consequences to our reputation and business, all of which may have an adverse effect on our results of operations and financial condition.

Risks Related to Intellectual Property

We may not be able to obtain patents or other intellectual property rights necessary to protect our proprietary technology and business.

We may seek to patent concepts, components, processes, designs and methods, and other inventions and technologies that we consider to have commercial value or that will likely give us a technological advantage. Despite devoting resources to the research and development of proprietary technology, we may not be able to develop technology that is patentable or protectable. Patents may not be issued in connection with pending patent applications, and claims allowed may not be sufficient to allow them to use the inventions that they create exclusively. Furthermore, any patents issued could be challenged, re-examined, held invalid or unenforceable, or circumvented and may not provide sufficient protection or a competitive advantage. In addition, despite efforts to protect and maintain patents, competitors and other third parties may be able to design around their patents or develop products similar to our work products that are not within the scope of their patents. Finally, patents provide certain statutory protection only for a limited period of time that varies depending on the jurisdiction and type of patent.

Prosecution and protection of the rights sought in patent applications and patents can be costly, lengthy, and uncertain, often involve complex legal and factual issues, and consume significant time and resources. In addition, the breadth of claims allowed in our patents, their enforceability, and our ability to protect and maintain them cannot be predicted with any certainty. The laws of certain countries may not protect intellectual property rights to the same extent as the laws of the United States. Even if our patents are held to be valid and enforceable in a certain jurisdiction, any legal proceedings that we may initiate against third parties to enforce such patents will likely be expensive, take significant time, and divert management's attention from other business matters. We cannot assure that any of our issued patents or pending patent applications provide any protectable, maintainable, or enforceable rights or competitive advantages to us.

In addition to patents, we plan to rely on a combination of copyrights, trademarks, trade secrets, and other related laws and confidentiality procedures and contractual provisions to protect, maintain, and enforce our proprietary technology and intellectual property rights in the United States and other countries. However, our ability to protect our brands by registering certain trademarks may be limited. In addition, while we will generally enter into confidentiality and nondisclosure agreements with our employees, consultants, contract manufacturers, distributors and resellers, and with others to attempt to limit access to and distribution of our proprietary and confidential information, it is possible that:

- misappropriation of our proprietary and confidential information, including technology, will nevertheless occur;
- our confidentiality agreements will not be honored or may be rendered unenforceable;
- third parties will independently develop equivalent, superior, or competitive technology or products;
- disputes will arise with our current or future strategic licensees, customers, or others concerning the ownership, validity, enforceability, use, patentability, or registrability of intellectual property; or
- unauthorized disclosure of our know-how, trade secrets, or other proprietary or confidential information will occur.

We may not be successful in enforcing our intellectual property rights against third parties.

Unlicensed copying and use of our intellectual property or infringement of our intellectual property rights may result in the loss of revenue to us and cause us other harm. We seek diligently to enforce our intellectual property rights. Although we devote significant resources to developing and protecting our technologies, and evaluating potential competitors of our technologies for infringement of our intellectual property rights, these infringements may nonetheless go undetected or may arise in the future. In the ordinary course of business, we encounter companies that we suspect are infringing on our intellectual property rights. When we encounter a company that we suspect is infringing our intellectual property rights, we may try to analyze their products and/or try to negotiate a license arrangement with such party. If we try and are unable to negotiate a license or secure the agreement of such alleged infringing party to cease its activities, we must make decisions as to how best to enforce our intellectual property rights.

The process of negotiating a license with a third party can be lengthy, and may take months or even years in some circumstances. Even if we are successful in securing a license agreement, there can be no assurance that our technologies will be used in a product that is ultimately brought to market, achieves commercial acceptance or results in significant royalties to us. We generally incur expense prior to entering into our license agreements, generating a license fee, and establishing a royalty stream from each customer. We may incur costs in any particular period before any associated revenue stream begins, if at all. Further, it is possible that third parties who we believe are infringing our intellectual property rights are unwilling to license our intellectual property from us on terms we can accept, or at all.

If we cannot persuade a third party who we believe is infringing our technology to enter into a license with us, we may be required to consider other alternatives to enforce our rights, including commencing litigation. The decision to commence litigation over infringement of a patent is complex and may lead to several risks to us, including the following, among others:

- the time, significant expense and distraction to management of managing such litigation;
- the uncertainty of litigation and its potential outcomes;
- the possibility that in the course of such litigation, the defendant may challenge the validity of our patents, which could result in a re-examination or post grant review of our patents and the possibility that our patents may be limited in scope or invalidated altogether;
- the potential that the defendant may successfully persuade a court that their technology or products do not infringe our intellectual property rights;
- the impact of such litigation on other licensing relationships we have or seek to establish, including the timing of renewing or entering into such relationships, as applicable, as well as the terms of such relationships; and
- adverse publicity to us or harm to relationships we have with customers or others.

Also, enforcement of patent protection throughout the world is generally established on a country-by-country basis and we may not have as much success enforcing our patents in foreign jurisdictions as in the United States. Further, in some instances, certain foreign governmental entities that might infringe our intellectual property rights may enjoy sovereign immunity from such claims. Consequently, effective protection of our intellectual property rights may be unavailable or limited.

Defendants in any litigation we consider commencing may have substantially greater financial and management resources necessary to manage litigation than we have. Further, such potential defendants may also have their own substantial patent portfolio. Patent litigation can endure for years and result in millions of dollars of expenses. If our counterparties in such litigation have substantially greater resources than we have, we may not be able to withstand the time, expense, or distraction of the litigation, even though we may have a better litigation position than such counterparties. In such instances we may not recover the expenses of litigation, and we may be required to enter into settlement agreements that would be adverse to us or our intellectual property portfolio.

The foregoing and other factors may cause us not to file or continue litigation against alleged infringers of our intellectual property rights, or may cause us not to file for, or pursue, patent protection for our inventive technology, in certain jurisdictions. Our failure to seek to enforce our intellectual property rights may weaken our ability to enforce our intellectual property in the future or make our efforts to license our intellectual property rights more difficult.

If we fail to protect our intellectual property rights adequately, if there are adverse changes in applicable laws, or if we become involved in litigation relating to our intellectual property rights or the intellectual property rights of others, our business could be seriously harmed. In such cases, the value ascribed to our intellectual property could diminish, we may incur significant legal expenses that could harm our results of operations, and our patents or other intellectual property rights may be limited or invalidated. Any of the foregoing could have a negative effect on the value of our common stock.

We may be subject to infringement claims and other litigation, which could adversely affect our business.

As more companies engage in business activities relating to predictive maintenance solutions, and develop corresponding intellectual property rights, it is increasingly likely that claims may arise which assert that some of our products or services infringe upon other parties' intellectual property rights. These claims could subject us to costly litigation and divert management resources. These claims may require us to pay significant damages, cease production of infringing products, terminate our use of infringing technology, or develop non-infringing technologies. In these circumstances, continued use of our technology may require that we acquire licenses to the intellectual property that is the subject of the alleged infringement, and we might not be able to obtain these licenses on commercially reasonable terms or at all. Our use of protected technology may result in liability that could threaten our continued operation.

Some of the contracts with our customers include indemnity and similar provisions regarding our non-infringement of third-party intellectual property rights. As deployment of our technology increases, and more companies enter our markets, the likelihood of a third party lawsuit resulting from these provisions increases. If an infringement arose in a context governed by such a contract, we may have to refund to our customer amounts already paid to us or pay significant damages, or we may be sued by the party whose intellectual property has allegedly been infringed upon.

Governmental regulation of non-practicing patent holders may adversely affect our business.

Governmental policymakers and commercial participants have proposed reforming U.S. patent laws and regulations in a manner that may limit a patent-holder's ability to enforce its patents against others to the extent that the holder is not practicing the subject matter of the patent at issue. The U.S. International Trade Commission has also recently taken certain actions that have been viewed as unfavorable to patentees seeking recourse in this forum. While we cannot predict what form any new patent reform laws or regulations may ultimately take, or what impact they may have on our business, any laws or regulations that restrict our ability to enforce our patent rights against third parties could have a material adverse effect on our business.

General Risk Factors Related to Our Business

Our business and operations would suffer in the event of computer system failures, cyber-attacks, or deficiencies in our cyber-security.

Security incidents involving our information technology systems and those of third parties on which we rely have occurred in the past, such as phishing attacks, although none of these incidents have been material to our business. Such security incidents may occur in the future. Despite the implementation of security measures, our internal computer systems, and those of third parties on which we rely, are vulnerable to damage from computer viruses, malware, natural disasters, terrorism, war, telecommunication and electrical failures, cyber-attacks or cyber-intrusions over the Internet, attachments to emails, persons inside our organization, or persons with access to systems inside our organization. The risk of a security breach or disruption, particularly through cyber-attacks or cyber intrusion, including by computer hackers, foreign governments, and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. If such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our product development programs. To the extent that any disruption or security breach was to result in a loss of or damage to our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur material legal claims and liability, and damage to our reputation, and the further development of our product candidates could be delayed. We face an increasingly difficult challenge to attract and retain highly qualified security personnel to assist us in combatting these security threats.

We may be subject to product liability claims, product actions, including product recalls, and other field or regulatory actions that could be expensive, divert management's attention, and harm our business.

Our business exposes us to potential liability risks, product actions, and other field or regulatory actions that are inherent in the manufacturing, marketing and sale of medical device, or any other products that we may have commissioned for a target business. We may be held liable if such products cause injury or death or are found otherwise unsuitable or defective during usage. Our products incorporate mechanical and electrical parts, complex computer software, and other sophisticated components, any of which can contain errors or failures. Complex computer software is particularly vulnerable to errors and failures, especially when first introduced. In addition, new products or enhancements to our existing products may contain undetected errors or performance problems that, despite testing, are discovered only after installation.

If any of our commissioned products are defective, whether due to design or manufacturing defects, improper use of the product, or other reasons, we may voluntarily or involuntarily undertake an action to remove, repair, or replace the product at our expense. In some circumstances we will be required to notify regulatory authorities of an action pursuant to a product failure.

Testing of our technologies potential applications for our products will be required and there is no assurance of regulatory approval.

The effect of government regulation and the need for compliance may delay marketing of our technologies and future potentially developed products for a considerable period of time, impose costly procedures upon our activities, and provide an advantage to larger companies that compete with us. There can be no assurance that we will be able to achieve regulatory compliance for any of our products. Any such delay in achieving such regulatory compliance would materially and adversely affect the marketing of any contemplated products and the ability to earn product revenue. Further, regulation of manufacturing facilities by state, local, and other authorities is subject to change. Any additional regulation could result in limitations or restrictions on our ability to utilize any of our technologies, thereby adversely affecting our operations. Various federal and foreign statutes and regulations also govern or influence the manufacturing, safety, labeling, storage, record keeping, and marketing of our products. The process of compliance with relevant U.S. and foreign statutes and regulations are time-consuming and require the expenditure of substantial resources. In addition, these requirements and processes vary widely from country to country.

We rely on highly skilled personnel as a result of the high-tech applications we utilize, and if we are unable to attract, retain, or motivate qualified personnel, we may not be able to operate our business effectively.

Our success depends in large part on continued employment of senior management and key personnel who can effectively operate our business, as well as our ability to attract and retain skilled employees. Competition for highly skilled management, technical, research and development, and other employees is intense and we may not be able to attract or retain highly qualified personnel in the future. Our long-term incentive programs may not be attractive enough or perform sufficiently to attract or retain qualified personnel.

If a significant portion of our employees leaves us, we might fail to effectively manage a transition to new personnel, or if we fail to attract and retain qualified and experienced professionals on acceptable terms, our business, financial condition, and results of operations could be adversely affected.

Further, the volatility of our stock price may make our equity compensation less attractive to current and potential employees.

Our success also depends on our having highly trained financial, technical, R&D, sales, and marketing personnel. We will need to continue to hire additional personnel as our business grows. A shortage in the number of people with these skills or our failure to attract them to our company could impede our ability to increase revenues from our existing technology and services, ensure full compliance with international and federal regulations, or launch new product offerings and would have an adverse effect on our business and financial results.

We may be unable to keep pace with changes in technology as our business and market strategy evolves.

We will need to respond to technological advances in a cost-effective and timely manner in order to remain competitive. The need to respond to technological changes may require us to make substantial, unanticipated expenditures. There can be no assurance that we will be able to respond successfully to technological change.

Risks Related to this Offering and Our Common Stock

Although we have filed an application to list our securities on Nasdaq, there can be no assurance that our securities will be so listed or, if listed, that we will be able to comply with the continued listing standards.

In June 2021 we filed a comprehensive listing application package with The Nasdaq Stock Market, or Nasdaq, to request an uplisting of the Company's common stock. Nasdaq has not approved our application, and there can be no assurance that Nasdaq will approve us for listing on The Nasdaq Capital Market and, even if our securities are listed, we cannot assure you that we will be able to maintain such listing. In addition, if after listing, Nasdaq delists our securities from trading on its exchange for failure to meet the continued listing standards, we and our shareholders could face significant material adverse consequences including a limited availability of market quotations for our common stock, confirmation that our stock is "penny stock" and subject to increased regulations, and a decreased ability to issue additional securities or obtain additional financing in the future.

Trading on the OTC Markets is volatile, sporadic and often thin, which could depress the market price of our common stock and make it difficult for our stockholders to resell their common stock.

Our common stock is currently quoted on the OTCQB tier of the OTC Markets. Trading in securities quoted on the OTC Markets is often thin and characterized by wide fluctuations in trading prices due to many factors, some of which may have little to do with our operations or business prospects. This volatility could depress the market price of our common stock for reasons unrelated to operating performance. Moreover, the OTC Markets is not a stock exchange, and trading of securities on the OTC Markets is often more sporadic than the trading of securities listed on a stock exchange like NASDAQ or the NYSE. Our common stock has a history of thin trading. During the 52-week period ended December 31, 2022, trades were only reported on 37 trading days. These factors may result in investors having difficulty reselling any shares of our common stock.

Anti-takeover provisions contained in our articles and bylaws, as well as provisions of Nevada law, could impair a takeover attempt.

Our amended and restated articles of incorporation and bylaws currently contain provisions that, together with Nevada law, could have the effect of rendering more difficult or discouraging an acquisition deemed undesirable by our board of directors. Our corporate governance documents presently include provisions such as providing for a "staggered" board of directors in which only one-third (1/3) of the directors can be elected in any year, and limiting the liability of, and providing indemnifications to, our directors and officers. These provisions, alone or together, could delay hostile takeovers and changes in control of our company or changes in our management.

As a Nevada corporation, we may also become subject to the provisions of Nevada Revised Statutes Sections 78.378 through 78.3793, which prohibit an acquirer, under certain circumstances, from voting shares of a corporation's stock after crossing specific threshold ownership percentages, unless the acquirer obtains the approval of the stockholders of the issuer corporation. The first such threshold is the acquisition of at least one-fifth, but less than one-third of the outstanding voting power of the issuer. We may become subject to the above referenced Statutes if we have 200 or more stockholders of record, at least 100 of whom are residents of the State of Nevada and do business in the State of Nevada directly or through an affiliated corporation.

Any provision of our amended and restated articles of incorporation, our bylaws or Nevada law that has the effect of delaying or deterring a change in control of our company could limit the opportunity for our stockholders to receive a premium for their shares of our common stock and could also affect the price that some investors are willing to pay for our common stock.

The market price of our common stock may be highly volatile and such volatility could cause you to lose some or all of your investment.

The market price of our common stock may fluctuate significantly in response to numerous factors, some of which are beyond our control, such as:

- the announcement of new products or product enhancements by us or our competitors;
- developments concerning intellectual property rights;

- changes in legal, regulatory, and enforcement frameworks impacting our technology or the application of our technology;
- variations in our and our competitors' results of operations;
- fluctuations in earnings estimates or recommendations by securities analysts, if our common stock is covered by analysts;
- the results of product liability or intellectual property lawsuits;
- future issuances of common stock or other securities;
- the addition or departure of key personnel;
- announcements by us or our competitors of acquisitions, investments or strategic alliances;
- current or anticipated impact of military conflict, including the conflict between Russia and Ukraine, terrorism or other geopolitical events;
- sanctions imposed by the United States and other countries in response to such conflicts, including the one in Ukraine, may also adversely impact the financial markets and the global economy, and any economic countermeasures by affected countries and others could exacerbate market and economic instability; and
- general market conditions and other events or factors, many of which are beyond our control.

In addition, the stock market has experienced significant volatility, particularly with respect to pharmaceutical, biotechnology and other life sciences company stocks. The volatility of pharmaceutical, biotechnology and other life sciences company stocks often does not relate to the operating performance of the companies represented by the stock. In the past, securities class action litigation has often been initiated against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and divert our management's attention and resources, and could also require us to make substantial payments to satisfy judgments or to settle litigation.

Because our common stock may be deemed a "penny stock," it may be more difficult for investors to sell shares of our common stock, and the market price of our common stock may be adversely affected.

Our common stock may be a "penny stock" if, among other things, the stock price is below \$5.00 per share, it is not listed on a national securities exchange, or it has not met certain net tangible asset or average revenue requirements. Broker-dealers who sell penny stocks must provide purchasers of these stocks with a standardized risk-disclosure document prepared by the SEC. This risk-disclosure document provides information about penny stocks and the nature and level of risks involved in investing in the penny-stock market. A broker must also give a purchaser, orally or in writing, bid and offer quotations and information regarding broker and salesperson compensation, make a written determination that the penny stock is a suitable investment for the purchaser and obtain the purchaser's written agreement to the purchase. Broker-dealers must also provide customers that hold penny stock in their accounts with such broker-dealer a monthly statement containing price and market information relating to the penny stock. If a penny stock is sold to an investor in violation of the penny stock rules, the investor may be able to cancel its purchase and get their money back.

If applicable, the penny stock rules may make it difficult for stockholders to sell their shares of our common stock. Because of the rules and restrictions applicable to a penny stock, there is less trading in penny stocks and the market price of our common stock may be adversely affected. Also, many brokers choose not to participate in penny stock transactions. Accordingly, stockholders may not always be able to resell their shares of our common stock publicly at times and prices that they feel are appropriate.

Compliance with the reporting requirements of federal securities laws can be expensive.

We are a public reporting company in the United States, and accordingly, subject to the information and reporting requirements of the Securities Exchange Act of 1934 and other federal securities laws. The costs of preparing and filing annual and quarterly reports and other information with the SEC and furnishing audited reports to stockholders are substantial. Failure to comply with the applicable securities laws could result in private or governmental legal action against us or our officers and directors, which could have a detrimental impact on our business and financials, the value of our stock, and the ability of stockholders to resell their stock.

Our investors' ownership in the Company may be diluted in the future.

In the future, we may issue additional authorized but previously unissued equity securities, resulting in the dilution of ownership interests of our present stockholders. We have in the past and may continue to issue a substantial number of shares of common stock or other securities convertible into or exercisable for common stock in connection with capital raising activity, hiring or retaining employees, future acquisitions, raising additional capital in the future to fund our operations, and other business purposes. We expect to authorize in the future a substantial number of shares of our common stock for issuance under a stock option or similar plan, and may issue equity awards to management, employees and other eligible persons. Additional shares of common stock issued by us in the future will dilute an investor's investment in the Company. In addition, we may seek stockholder approval to increase the amount of the Company's authorized stock, which would create the potential for further dilution of current investors.

Directors, executive officers, principal stockholders, and affiliated entities own a significant percentage of our capital stock, and they may make decisions that our stockholders do not consider to be in their best interests.

As of March 28, 2023, our directors, executive officers, principal stockholders, and affiliated entities may be deemed to beneficially own, in the aggregate, approximately 84.40% of our outstanding voting securities. As a result, if some or all of such parties acted together, they would have the ability to exert substantial influence over the election of our board of directors and the outcome of issues requiring approval by our stockholders. This concentration of ownership may also have the effect of delaying or preventing a change in control of the Company that may be favored by other stockholders. This could prevent transactions in which stockholders might otherwise recover a premium for their shares over current market prices. This concentration of ownership and influence in management and board decision-making could also harm the price of our capital stock by, among other things, discouraging a potential acquirer from seeking to acquire shares of our capital stock (whether by making a tender offer or otherwise) or otherwise attempting to obtain control of our Company.

We do not anticipate paying any cash dividends in the foreseeable future.

We have never declared or paid cash dividends, and we do not anticipate paying cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our common stock as a source for any future dividend income. Our board of directors has complete discretion as to whether to distribute dividends. Even if our board of directors decides to declare and pay dividends, the timing, amount, and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiary, our financial condition, contractual restrictions, and other factors deemed relevant by our board of directors.

Risks Related to our Operations in Israel

We are subject to the risks of political, economic, health, and military instability in countries outside the United States in which we operate.

Some of our products are produced in Israel, India, China, and other countries which are particularly subject to risks of political, economic, health, and military instability. This instability could result in wars, riots, nationalization of industry, currency fluctuations, and labor unrest or unavailability. These conditions could have an adverse impact on our ability to manufacture, ship, and operate in these regions and, depending on the extent and severity of these conditions, could result in a reduction in customer orders and sales to certain regions and end-markets and materially and adversely affect our overall financial condition and operating results. We have principal manufacturing facilities and operations located in Israel. Accordingly, our business will be directly influenced by the political, economic and military conditions affecting Israel at any given time.

Political, economic and military instability in Israel may impede our ability to operate and harm our financial results.

Our offices and management team are located in Israel. Accordingly, political, economic, and military conditions in Israel and the surrounding region may directly affect our business and operations. Since the establishment of the State of Israel in 1948, a number of armed conflicts have occurred between Israel and its neighboring countries. We have never experienced any material interruption in our operations attributable to these factors, in spite of several Middle East crises, including wars. A change in the security and political situation in Israel and in the economy could have a material adverse effect on our business, operating results, and financial condition.

In recent years, Israel has been subject to certain political instability and increased number of elections were held. Actual or perceived political instability in Israel or any negative changes in the political environment, may individually or in the aggregate adversely affect the Israeli economy and, in turn, our business, financial condition, results of operations and growth prospects. Israel is still engaged in sporadic armed conflicts with Hamas, an Islamist terrorist group that controls the Gaza Strip, with Hezbollah, an Islamist terrorist group that controls large portions of southern Lebanon, and with Iranian-backed military forces in Syria. In addition, Iran has threatened to attack Israel and may be developing nuclear weapons. Some of these hostilities were accompanied by missiles being fired from the Gaza Strip against civilian targets in various parts of Israel, including areas in which our employees and some of our consultants are located, and negatively affected business conditions in Israel. Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its trading partners could adversely affect our operations and results of operations.

Our commercial insurance does not cover losses that may occur as a result of events associated with war and terrorism. Although the Israeli government currently covers the reinstatement value of direct damages that are caused by terrorist attacks or acts of war, we cannot assure you that this government coverage will be maintained or that it will sufficiently cover our potential damages. Any losses or damages incurred by us could have a material adverse effect on our business. Any armed conflicts or political instability in the region would likely negatively affect business conditions and could harm our results of operations.

Further, in the past, the State of Israel and Israeli companies have been subjected to economic boycotts. Several countries still restrict business with the State of Israel and with Israeli companies. These restrictive laws and policies may have an adverse impact on our operating results, financial condition, or the expansion of our business. A campaign of boycotts, divestment, and sanctions has been undertaken against Israel, which could also adversely impact our business.

In addition, many Israeli citizens are obligated to perform several days, and in some cases more, of annual military reserve duty each year until they reach the age of 40 (or older, for reservists who are military officers or who have certain occupations) and, in the event of a military conflict, may be called to active duty. In response to increases in terrorist activity, there have been periods of significant call-ups of military reservists. It is possible that there will be military reserve duty call-ups in the future. Our operations could be disrupted by such call-ups, which may include the call-up of members of our management. Such disruption could materially adversely affect our business, prospects, financial condition, and results of operations.

In the beginning of 2023, the newly formed government commenced a legislative process to effect changes in the Israeli legal system. Certain financial, legal, and commercial organizations and entities have claimed that such changes will weaken the Israeli legal system and, as a result, could lead to negative impact on the economic and financial conditions of the State of Israel. At this stage, where the proposed legislation has not become effective, and its scope is not fully determined, we cannot assess the possible impacts of these changes and their likelihood. Changes in the Israeli economy could make it more difficult for us to operate our business and could have a material adverse effect on our business, reputation, financial condition, results of operation, and cash flow.

It may be difficult for investors in the United States to enforce any judgments obtained against us or some of our directors or officers.

It may be difficult to acquire jurisdiction and enforce liabilities against any of our officers and directors who are based in Israel. It may not be possible for United States investors to enforce their legal rights, to effect service of process upon our directors or officers or to enforce judgments of United States courts predicated upon civil liabilities and criminal penalties of our directors and officers under federal securities laws. Moreover, we have been advised that Israel does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States. Further, it is unclear if extradition treaties now in effect between the United States and Israel would permit effective enforcement of criminal penalties of the federal securities laws. Even if an Israeli court agrees to hear a claim, it may determine that the Israeli law, and not U.S. law, is applicable to the claim. Further, if U.S. law is found to be applicable, certain content of applicable U.S. law must be proved as a fact, which can be a time-consuming and costly process, and certain matters of procedure would still be governed by the Israeli law. Consequently, you may be effectively prevented from pursuing remedies under U.S. federal and state securities laws against us or any of our non-U.S. directors or officers.

Exchange rate fluctuations between foreign currencies and the U.S. Dollar may negatively affect our earnings.

Our reporting and functional currency is the U.S. dollar. Our revenues are currently primarily payable in U.S. dollars and we expect our future revenues to be denominated primarily in U.S. dollars. However, some of our expenses are in New Israeli Shekels (NIS) and as a result, we are exposed to the currency fluctuation risks relating to the recording of our expenses in U.S. dollars. We may, in the future, decide to enter into currency hedging transactions. These measures, however, may not adequately protect us from material adverse effects.

Exchange rate movements have impacted and may continue to impact our consolidated revenues and operating results. It is particularly difficult to forecast exchange rate movements and unanticipated currency fluctuations have affected and could continue to affect our financial results and cause our results to differ from investor expectations or our own guidance in any future periods. Volatility in exchange rates and global financial markets is expected to continue due to political and economic uncertainty globally.

Certain technology developed and used by us received Israeli government grants for certain research and development activities. The terms of those grants require us to satisfy specified conditions in addition to repayment of the grants upon certain events.

The research and development efforts that contributed to certain technology used by us was financed in part through grants from the IIA to Medigus, which was subsequently transferred to ScoutCam Ltd. (for more information about such agreements, refer to – “CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE” below”). The terms of such grants require ScoutCam Ltd. to comply with the requirements of the Innovation Law. When a company develops know-how, technology or products using IIA grants, the terms of these grants and the Innovation Law restrict the transfer outside of Israel of such know-how, and the manufacturing or manufacturing rights of such products, technologies or know-how, without the prior approval of the IIA. Therefore, if aspects of our technologies are deemed to have been developed with IIA funding, the discretionary approval of an IIA committee would be required for any transfer to third parties outside of Israel of know-how or manufacturing or manufacturing rights related to those aspects of such technologies. We may not receive those approvals. Furthermore, the IIA may impose certain conditions on any arrangement under which it permits us to transfer technology or development out of Israel.

The transfer of IIA-supported technology or know-how or manufacturing or manufacturing rights related to aspects of such technologies outside of Israel may involve the payment of significant penalties and other amounts, depending upon the value of the transferred technology or know-how, the amount of IIA support, the time of completion of the IIA-supported research project and other factors. These restrictions and requirements for payment may impair our ability to sell our technology assets outside of Israel or to outsource or transfer development or manufacturing activities with respect to any product or technology outside of Israel. Furthermore, the consideration available to our shareholders in a transaction involving the transfer outside of Israel of technology or know-how developed with IIA funding (such as a merger or similar transaction) may be reduced by any amounts that we are required to pay to the IIA.

We may become subject to claims for remuneration or royalties for assigned service invention rights by our employees, which could result in litigation and adversely affect our business.

A significant portion of our intellectual property has been developed by our employees in the course of their employment for us. Under the Israeli Patent Law, 5727-1967, or the Patent Law, inventions conceived by an employee in the course and as a result of or arising from his or her employment with a company are regarded as “service inventions,” which belong to the employer, absent a specific agreement between the employee and employer giving the employee service invention rights. The Patent Law also provides that if there is no such agreement between an employer and an employee, the Israeli Compensation and Royalties Committee, or the Committee, a body constituted under the Patent Law, will determine whether the employee is entitled to remuneration for his inventions. Recent case law clarifies that the right to receive consideration for “service inventions” can be waived by the employee and that in certain circumstances, such waiver does not necessarily have to be explicit. The Committee will examine, on a case-by-case basis, the general contractual framework between the parties, using interpretation rules of the general Israeli contract laws. Further, the Committee has not yet determined one specific formula for calculating this remuneration (but rather uses the criteria specified in the Patent Law). Although we generally enter into assignment-of-invention agreements with our employees pursuant to which such individuals assign to us all rights to any inventions created in the scope of their employment or engagement with us, we may face claims demanding remuneration in consideration for assigned inventions. As a consequence of such claims, we could be required to pay additional remuneration or royalties to our current and/or former employees, or be forced to litigate such claims, which could negatively affect our business.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

We do not own property and currently lease our principal corporate office and corporate headquarters, which is also our registered office, and is located at Industrial Park, P.O. Box 3030, Omer, Israel 8496500. Our Omer facility, part of which we sublease to a third party, include approximately 1,356 square meters of office and laboratory space. In addition, we lease offices in Raman Gan, Israel and Haifa, Israel.

We believe our leased office is sufficient to meet our current needs.

ITEM 3. LEGAL PROCEEDINGS

Three of our European patents in our patent family related to Small Diameter Video Camera Heads and Medical Devices and Visualization Probes are currently in oppositional proceedings before the Opposition Division of the EP Patent Office. One U.S. patent of the same family is currently under reexamination proceedings before the U.S. Patent and Trademark Office. For additional information about these proceedings refer to – “PROPRIETARY RIGHTS AND TECHNOLOGY” above. Other than the above, we are not aware of any pending legal proceedings to which we are a party, or to which any director, officer or affiliate of our Company, or any owner of record or beneficially of more than 5% of any class of our voting securities, is a party adverse to us or has a material interest adverse to us.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES

Market Information

Our common stock is quoted on the OTCQB under the symbol "SCTC". Trading in stocks quoted on the OTCQB is often thin and is characterized by wide fluctuations in trading prices due to many factors that may be unrelated to a company's operations or business prospects. We cannot assure you that there will be a market in the future for our common stock.

OTCQB securities are not listed or traded on the floor of an organized national or regional stock exchange. Instead, OTCQB securities transactions are conducted through a telephone and computer network connecting dealers in stocks. OTCQB issuers are traditionally smaller companies that do not meet the financial and other listing requirements of a regional or national stock exchange.

Holders

As of December 31, 2022, there were 35 stockholders of record of our common stock and 7,121,737 shares of our common stock outstanding. The number of stockholders of record does not include beneficial owners of our common stock, whose shares are held in "street name" in the names of various brokers, dealers, clearing agencies, banks, and other fiduciaries.

Dividends

We have never declared or paid any cash dividends on our common stock. We currently intend to retain future earnings, if any, to increase our working capital and do not anticipate paying any cash dividends in the foreseeable future.

Equity Compensation Plan Information

2020 Share Incentive Plan

We have adopted the 2020 Share Incentive Plan, or the 2020 Plan, under which we may grant equity-based incentive awards to attract, motivate, and retain the talent for which we compete.

Authorized Shares. The maximum number of ordinary shares available for issuance under the 2020 Plan is equal to the sum of 1,824,717 shares, or such number as our board of directors may determine from time to time.

Administration. Our board of directors, or a duly authorized committee of our board of directors, will administer the 2020 Plan. Under the 2020 Plan, the administrator has the authority, subject to applicable law, to interpret the terms of the 2020 Plan and any award agreements or awards granted thereunder, designate recipients of awards, determine and amend the terms of awards, including the exercise price of an option award, the fair market value of an ordinary share, the time and vesting schedule applicable to an award or the method of payment for an award, accelerate or amend the vesting schedule applicable to an award, prescribe the forms of agreement for use under the 2020 Plan, and take all other actions and make all other determinations necessary for the administration of the 2020 Plan.

The administrator also has the authority to amend and rescind rules and regulations relating to the 2020 Plan or terminate the 2020 Plan at any time before the date of expiration of its ten year term.

Eligibility. The 2020 Plan provides for granting awards under various tax regimes, including, without limitation, in compliance with Section 102 of the Israeli Income Tax Ordinance (New Version), 5721-1961 (the "Ordinance"), and Section 3(i) of the Ordinance and for awards granted to our United States employees or service providers, including those who are deemed to be residents of the United States for tax purposes, Section 422 of the Internal Revenue Code (the "Code") and Section 409A of the Code.

Section 102 of the Ordinance allows employees, directors, and officers who are not controlling shareholders and are considered Israeli residents to receive favorable tax treatment for compensation in the form of shares or options. Our non-employee service providers and controlling shareholders may only be granted options under section 3(i) of the Ordinance, which does not provide for similar tax benefits.

Grant. All awards granted pursuant to the 2020 Plan will be evidenced by an award agreement, in a form approved, from time to time, by the administrator in its sole discretion. The award agreement will set forth the terms and conditions of the award, including the type of award, number of shares subject to such award, vesting schedule and conditions (including performance goals or measures), and the exercise price, if applicable. Certain awards under the 2020 Plan may constitute or provide for a deferral of compensation, subject to Section 409A of the Code, which may impose additional requirements on the terms and conditions of such awards.

Each award will expire seven years from the date of the grant thereof, unless such shorter term of expiration is otherwise designated by the administrator.

Awards. The 2020 Plan provides for the grant of stock options (including incentive stock options and nonqualified stock options), shares of common stock, restricted shares, restricted share units, and other share-based awards.

Options granted under the 2020 Plan to our employees who are U.S. residents may qualify as “incentive stock options” within the meaning of Section 422 of the Code, or may be non-qualified stock options. The exercise price of a stock option may not be less than 100% of the fair market value of the underlying share on the date of grant (or 110% in the case of ISOs granted to certain significant stockholders).

Exercise. An award under the 2020 Plan may be exercised by providing the company with a written or electronic notice of exercise and full payment of the exercise price for such shares underlying the award, if applicable, in such form and method as may be determined by the administrator and permitted by applicable law. An award may not be exercised for a fraction of a share. With regard to tax withholding, exercise price, and purchase price obligations arising in connection with awards under the 2020 Plan, the administrator may, in its discretion, accept cash, provide for net withholding of shares in a cashless exercise mechanism, or direct a securities broker to sell shares and deliver all or a part of the proceeds to the Company or the trustee.

Transferability. Other than by will, the laws of descent and distribution, or as otherwise provided under the 2020 Plan, neither the options nor any right in connection with such options are assignable or transferable.

Termination of Employment. For grantees who terminated their employment with the Company or any of its affiliates prior to July 5, 2022, all vested and exercisable awards held by such grantees as of the date of termination may be exercised within three months, unless otherwise determined by the administrator. For grantees who terminated their employment with the Company or any of its affiliates after July 5, 2022, all vested and exercisable awards held by such grantees as of the date of termination may be exercised within three years, unless otherwise determined by the administrator. After such three month or three year period, as applicable, all such unexercised awards will terminate, and the shares covered by such awards shall again be available for issuance under the 2020 Plan.

In the event of termination of a grantee’s employment or service with the company or any of its affiliates due to such grantee’s death, permanent disability, or retirement, all vested and exercisable awards held by such grantee as of the date of termination may be exercised by the grantee or the grantee’s legal guardian, estate, or by a person who acquired the right to exercise the award by bequest or inheritance, as applicable, within twelve months after such date of termination, unless otherwise provided by the administrator. Any awards which are unvested as of the date of such termination or which are vested but not then exercised within the twelve month period following such date, will terminate and the shares covered by such awards shall again be available for issuance under the 2020 Plan.

Notwithstanding any of the foregoing, if a grantee’s employment or services with the company or any of its affiliates is terminated for “cause” (as defined in the 2020 Plan), all outstanding awards held by such grantee (whether vested or unvested) will terminate on the date of such termination and the shares covered by such awards shall again be available for issuance under the 2020 Plan.

Transactions. In the event of a share split, reverse share split, share dividend, recapitalization, combination, or reclassification of our shares, or any other increase or decrease in the number of issued shares effected without receipt of consideration by the company (but not including the conversion of any convertible securities of the company), the administrator in its sole discretion shall make an appropriate adjustment in the number of shares related to each outstanding award and to the number of shares reserved for issuance under the 2020 Plan, to the class and kind of shares subject to the 2020 Plan, as well as the exercise price per share of each outstanding award, as applicable, the terms and conditions concerning vesting and exercisability, and the term and duration of outstanding awards, or any other terms that the administrator adjusts in its discretion, or the type or class of security, asset, or right underlying the award (which need not be only that of the Company, and may be that of the surviving corporation or any affiliate thereof or such other entity party to any of the above transactions); provided that any fractional shares resulting from such adjustment shall be rounded down to the nearest whole share unless otherwise determined by the administrator. In the event of a distribution of a cash dividend to all shareholders, the administrator may determine, without the consent of any holder of an award, that the exercise price of an outstanding and unexercised award shall be reduced by an amount equal to the per share gross dividend amount distributed by the Company, subject to applicable law.

In the event of a merger or consolidation of our company, or a sale of all, or substantially all, of the Company's shares or assets, or other transaction having a similar effect on the Company, or change in the composition of the board of directors, or liquidation or dissolution, or such other transaction or circumstances that the board of directors determines to be a relevant transaction, then without the consent of the grantee, the administrator may but is not required to (i) cause any outstanding award to be assumed or substituted by such successor corporation, or (ii) regardless of whether or not the successor corporation assumes or substitutes the award (a) provide the grantee with the option to exercise the award as to all or part of the shares, and may provide for an acceleration of vesting of unvested awards, or (b) cancel the award and pay in cash, shares of the company, the acquirer, or other corporation which is a party to such transaction, or other property as determined by the administrator as fair in the circumstances. Notwithstanding the foregoing, the administrator may upon such event amend, modify, or terminate the terms of any award as it shall deem, in good faith, appropriate.

Recent Sales of Unregistered Securities

On March 27, 2023, the Company issued 3,294,117 units to certain investors in consideration of \$14 million. Each such unit consisted of (i) one share of the Company's common stock and (ii) one warrant to purchase one share of common stock with an exercise price of \$5.50 per share. Each warrant is exercisable for three years from the date of issuance. The shares of common stock and warrants were issued in a private placement pursuant to Regulation S of the Securities Act of 1933, as amended.

Issuer Purchases of Equity Securities

During the period from January 1, 2022, to December 31, 2022, we did not purchase any of our equity securities.

ITEM 6. [Reserved]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and the related notes appearing elsewhere in this Annual Report on Form 10-K. In addition to historical information, the following discussion contains forward-looking statements that involve risks, uncertainties and assumptions. See "Forward-looking Statements" for a discussion of the uncertainties and assumptions associated with these statements. Our actual results may differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" included elsewhere in this Annual Report on Form 10-K.

Overview

We were incorporated under the laws of the State of Nevada on March 22, 2013, under the name Intellisense Solutions Inc. We were initially engaged in the business of developing web portals to allow companies and individuals to engage in the purchase and sale of vegetarian food products over the Internet. However, we were not able to execute our original business plan, develop significant operations, or achieve commercial sales.

On December 30, 2019, we acquired all of the issued and outstanding share capital of ScoutCam Ltd. Following this transaction, we integrated and fully adopted ScoutCam Ltd.'s business into our Company as our primary business activity. On December 31, 2019, we changed our name to ScoutCam Inc.

Through ScoutCam Ltd., we are a pioneer in the development, production, and marketing of innovative Predictive Maintenance (PdM) and Condition Based Monitoring (CBM) technologies, providing visual sensing and AI-based video analytics solutions for critical systems in the aviation, maritime, industrial non-destructive-testing industries, transportation, and energy industries. Some of our products utilize our unique micro visualization technology in medical devices for complex and minimally invasive medical procedures. Our technology includes proven video technologies and products amalgamated into a first-of-its-kind, FDA-cleared minimally invasive surgical device. At the present time, we derive a substantial portion of our revenue from applications of our micro visualization technology within the medical field.

Our unique video-based sensors, embedded software, and AI algorithms are being deployed in hard-to-reach locations and harsh environments across a variety of PdM and CBM use cases. Our solution allows maintenance and operations teams visibility into areas which are inaccessible under normal circumstances, or where the operating ambience otherwise is not suitable for continuous real-time monitoring, and has various applications which have relevancy in a wide range of industry segments that utilize complicated mechanics requiring ongoing monitoring and predictive maintenance applications. Our current business model is a business-to-business (B2B) approach in which we seek to identify target businesses interested in integrating our micro visualization technology or commissioning individual projects using our technology.

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 generally accepted accounting principles in the United States, or U.S. GAAP. 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 revenues and expenses during the reporting periods. We evaluate these estimates and judgments on an ongoing basis. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Our actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are more fully described in Note 2 to our financial statements appearing elsewhere in this Form 10-K, we believe that the following accounting policies are the most critical for fully understanding and evaluating our financial condition and results of operations.

Development Services Revenue and Contract Liabilities

We determine at contract inception whether development services are distinct from the performance obligation to manufacture the product under development. Revenues from development services that we determine as distinct from our performance obligation to manufacture the product under development are recognized over the period of the applicable service contract. Revenues from development services that we determine as not distinct from our performance obligation to manufacture the product under development are deferred until commencement of manufacturing and are recognized over the manufacturing term. As a result, during the year 2021, we have deferred all service revenues billed by us and the respective service costs.

Stock-Based Compensation

We apply the fair value recognition provisions of ASC 718, *Compensation—Stock Compensation*, or ASC 718, for stock-based awards granted to employees, directors, and other providers for their services. Determining the amount of stock-based compensation to be recorded requires us to develop estimates of the fair value of stock options as of their grant date. We estimate the fair value of each stock option grant using the Black-Scholes option-pricing model. Calculating the fair value of stock-based awards requires that we make subjective assumptions.

Pursuant to ASC 718, we measure stock-based awards granted to employees, members of the board of directors and other providers at fair value on the date of grant and recognize the corresponding stock-based compensation expense of those awards on a straight-line basis over the requisite service period.

The Black-Scholes option-pricing model requires a number of assumptions, of which the most significant are the stock price volatility and the expected option term. Our expected dividend rate is zero since we do not currently pay cash dividends and do not anticipate doing so in the foreseeable future. Each of the above factors requires us to use judgment and make estimates in determining the percentages and time periods used for the calculation. If we were to use different percentages or time periods, the fair value of option awards could be materially different. We recognize stock-based compensation cost for option awards on an accelerated basis over the employee's requisite service period, net of estimated forfeitures.

Volatility is derived from the historical volatility of publicly traded set of peer companies. The risk-free interest rates used in the Black-Scholes calculations are based on the prevailing U.S. Treasury yield as determined by the U.S. Federal Reserve. We have not paid dividends and does not anticipate paying dividends in the foreseeable future. Accordingly, no dividend yield was assumed for purposes of estimating the fair value of our stock-based compensation. The weighted average expected life of options was estimated individually in respect of each grant.

Comparison of the Year Ended December 31, 2022 and the Year Ended December 31, 2021

Overview

The Company's primary business activities during 2022 were:

- During the second quarter of 2022, the Company completed the development of a product relating to a customer-specific project for a Fortune 500 multinational healthcare corporation, and moved from the development phase of the project to its production phase. As a result, during the year ended December 31, 2022, the Company recognized development services revenues and related development costs that had been previously deferred. The amounts were recognized based on the expected manufacturing term of the product, which the Company estimates at seven years.
- enlarging focus on R&D activities in the domain of I4.0 (including PdM and CBM in sectors such as aerospace, maritime energy and other heavy machinery, engines and complicated mechanics which have a need for monitoring and predictive maintenance applications). The main effect of this activity was an increase in the number of employees to enable the Company to manage the anticipated increased workload and solution development.

The following table summarizes our results of operations for the years ended December 31, 2022 and 2021, together with the changes in those items in dollars and as a percentage:

	2022	2021	% Change
Revenues	665,000	387,000	72%
Cost of Revenues	1,631,000	1,108,000	47%
Gross Loss	(966,000)	(721,000)	34%
Research and development expenses	4,197,000	2,002,000	110%
Sales and marketing expense	699,000	908,000	(23)%
General and administrative expenses	3,577,000	5,481,000	(35)%
Operating Loss	(9,439,000)	(9,112,000)	4%

Revenues

As a result of the nature of our target market and the current stage of our development, a substantial portion of our revenue comes from a limited number of customers.

For the year ended December 31, 2022, we generated revenues of \$665,000, an increase of \$278,000, or 72%, from 2021 revenues. The increase in revenues was primarily due to the completion of development of the product relating to our miniature camera solution with a Fortune 500 company and moving to production stage. Total revenues recorded from our miniature camera solution with the Fortune 500 company during 2022, amounted to approximately \$538,000. We did not record any revenue from our miniature camera solution with the Fortune 500 company during 2021.

This increase in revenues was partly offset by the following:

- Total revenues recorded from A.M. Surgical during 2021 amounted to approximately \$199,000. We did not record any revenue from A.M. Surgical during 2022.
- A decrease of \$61,000 due to an overall decrease in sales of the Company's component products to occasional customers.

Remaining performance obligations ("RPO") represents contracted revenue that have not yet been recognized, which include deferred revenue and amounts that will be invoiced and recognized as revenue in future periods. As of December 31, 2022, the total RPO amounted to \$3.6 million, which we expect to recognize over the expected manufacturing term of the product under development.

Cost of Revenues

Cost of revenues for the year ended December 31, 2022, were \$1,631,000, an increase of \$523,000, or 47%, compared to cost of revenues of \$1,108,000 for the year ended December 31, 2021. The increase was primarily due to:

- An increase in payroll expenses due to additional employee recruitments (such as in the areas of procurement, production planning and control, engineering, and quality inspectors) to support the transition to serial production for the Fortune 500 customer.
- In the second quarter of 2022, the Company completed the development service stage of its miniature camera solution and moved to the production stage. As a result, the Company recognized expenses of \$180,000 during the year ended December 31, 2022, based on the expected manufacturing term of the product.

Gross Loss

Gross loss for the year ended December 31, 2022, was \$966,000, an increase of \$245,000, or 34%, compared to a gross loss of \$721,000 for the year ended December 31, 2021. The increase was primarily due to increase in cost of revenues partially offset by an increase in revenue as described above.

Research and Development Expenses

Research and development efforts are focused on new product development and on developing additional functionality for our new and existing products. These expenses primarily consist of employee-related expenses, including salaries, benefits, and stock-based compensation expense for personnel engaged in research and development functions, consulting, and professional fees related to research and development activities, prototype materials, facility costs, and other allocated expenses, which include expenses for rent and maintenance of our facility, utilities, depreciation, and other supplies. We expense research and development costs as incurred.

Research and development expenses for the year ended December 31, 2022, were \$4,197,000, an increase of \$2,195,000, or 110%, compared to \$2,002,000 for the year ended December 31, 2021. The increase was primarily due to an increase in payroll expenses (including stock-based compensation) due to additional employee recruitments, materials and subcontractors, rent and maintenance expenses due to enlarging focus on R&D activities in the domain of I4.0.

We expect that our research and development expenses will increase as we continue to develop our products and service and recruit additional research and development employees to the I4.0 domain.

Sales and Marketing Expenses

Sales and marketing expenses primarily consist of personnel costs, consulting services, promotional materials, demonstration equipment, and certain allocated facilities infrastructure costs.

Sales and marketing expenses for the year ended December 31, 2022, were \$699,000, a decrease of \$209,000, or 23%, compared to \$908,000 for the year ended December 31, 2021. The decrease was primarily due to reductions in sales and marketing costs in the medical field.

We expect that our selling and marketing expenses will increase as we increase our selling and marketing efforts in the I4.0 domain.

General and Administrative Expenses

General and administrative expenses primarily consist of salaries and other related costs, including stock-based compensation, for personnel in executive, finance, and administrative functions. General and administrative expenses also include direct and allocated facility-related costs as well as professional fees for legal, patent, consulting, investor, public relations, accounting, auditing, tax services, and insurance costs.

General and administrative expenses for the year ended December 31, 2022, were \$3,577,000, a decrease of \$1,904,000, or 35%, compared to \$5,481,000 for the year ended December 31, 2021.

The decrease was primarily due to:

- A decrease in IP expenses of \$506,000.
- A decrease in stock-based compensation of \$580,000.
- A decrease in professional services of \$334,000, mainly due to expenses of \$206,000 in expenses incurred in 2021 related to our efforts to uplist to Nasdaq.
- Cancellation of a provision of \$129,000 related to additional taxes due following entrance into an agreement with the Israeli Tax Authority. In September 2021, the Company accrued an amount of approximately NIS 740,000 (\$229,000) for additional taxes due following a VAT audit by the Israeli Tax Authority for the years 2019-2021. In July 2022, the Company reached an agreement with the Israeli Tax Authority, according to which the amount due in additional taxes was reduced to approximately NIS 340,000 (\$100,000).

Operating loss

We incurred an operating loss of \$9,439,000 for the year ended December 31, 2022, an increase of \$327,000, or 4%, compared to operating loss of \$9,112,000 for the year ended December 31, 2021. The increase in operating loss was primarily due to increases in gross loss and expenses related to research and development, partially offset by decrease in general and administrative expenses and sales and marketing expenses.

Comparison of the Year Ended December 31, 2021 and the Year Ended December 31, 2020

Overview

The Company's primary business activities during 2021 were:

- completion of R&D and transition to the serial production in connection with a customer-specific project for a Fortune 500 multinational healthcare corporation; and
- enlarging its focus on R&D activities in the domain of I4.0 (including PdM and CBM in sectors such as the aviation, energy and automotive). The main effect of this activity was an increase in the number of employees to enable the Company to manage the anticipated increased workload and solution development.

Other major activities were the following:

- Expanding marketing activities, including the recruitment of VP Business Development for Industry 4.0, and launching a multi-platform digital marketing campaign;
- Extensive activity in connection with the Company's IP, including submissions of new patent applications as well as maintenance, defense, and commercialization efforts of existing patents;
- Increased operation expenses in order to improve the current Company's R&D capabilities;
- Increase in research and development activities, including the development of new products and the improvement of existing technology, and the examination of additional applications for our visualization solutions, including in the domains of PdM and CBM, as well as additional industries outside of the medical, defense, and aerospace fields, including sectors such as automotive, industrial non-destructing-testing industries, automotive and energy; and
- Investment in capital expenses to provide the necessary facilities, IT, and lab tools for our newly recruited employees and to upgrade the Company's production and quality control capabilities.

The following table summarizes our results of operations for the years ended December 31, 2021 and 2020, together with the changes in those items in dollars and as a percentage:

	2021	2020	% Change
Revenues	387,000	491,000	(21)%
Cost of Revenues	1,108,000	994,000	11%
Gross Loss	(721,000)	(503,000)	43%
Research and development expenses	2,002,000	725,000	176%
Sales and marketing expense	908,000	443,000	105%
General and administrative expenses	5,481,000	3,035,000	81%
Operating Loss	(9,112,000)	(4,706,000)	94%

Revenues

For the year ended December 31, 2021, we generated revenues of \$387,000, a decrease of \$104,000, or 21%, from 2020 revenues. The decrease in revenues was primarily due to sales of products to A.M. Surgical. Total sales to A.M. Surgical during year ended December 31, 2021 amounted to approximately \$199,000, a decrease from approximately \$383,000 in 2020. This decrease was partially offset by increase in the sales of our products to other customers.

Remaining performance obligations ("RPO") represents contracted revenue that has not yet been recognized, which includes deferred revenue and amounts that will be invoiced and recognized as revenue in future periods. As of December 31, 2021, the total RPO amounted to \$3.2 million, which we expect to recognize over the expected manufacturing term of the product under development.

Cost of Revenues

Cost of revenues for the year ended December 31, 2021 were \$1,108,000, an increase of \$114,000, or 11%, compared to cost of revenues of \$994,000 for the year ended December 31, 2020. The increase was primarily due to an increase in payroll expenses (including stock-based compensation) as a result of hiring additional employees as part of the transition to the production stage with respect to the contract with a Fortune 500 multinational healthcare corporation, partially offset by decrease in materials as a result of a decrease in revenues.

Gross Loss

Gross loss for the year ended December 31, 2021 was \$721,000, an increase of \$218,000, or 43%, compared to a gross loss of \$503,000 for the year ended December 31, 2020. The increase was primarily due to a decrease in revenues and an increase in cost of revenues as described above.

Research and Development Expenses

Research and development expenses for the year ended December 31, 2021 were \$2,002,000, an increase of \$1,277,000, or 176%, compared to \$725,000 for the year ended December 31, 2020. The increase was primarily due to an increase in payroll expenses (including stock-based compensation) due to additional employee recruitments, materials and subcontractors, and because we have recently begun examining additional applications for our micro ScoutCam™ portfolio outside of the medical, defense and aerospace fields, including in sectors such as automotive, industrial non-destructing-testing industries, automotive, and energy.

In addition, there was an increase in R&D payroll expenses in 2021 due to the fact that during 2020 a substantial part of the payroll expenses was capitalized to contract fulfillment asset and was not recognized as expenses in profit and loss.

We expect that our research and development expenses will increase as we continue to develop our products and service and recruit additional research and development employees to the I4.0 domain.

Sales and Marketing Expenses

Sales and marketing expenses for the year ended December 31, 2021 were \$908,000, an increase of \$465,000, or 105%, compared to \$443,000 for the year ended December 31, 2020.

The increase was primarily due to expanding marketing activity, including the recruitment of a VP Business Development in Industry 4.0, hiring consultants and launching a multi-platform digital marketing campaign.

We expect that our selling and marketing expenses will increase as we continue to increase our selling and marketing efforts.

General and Administrative Expenses

General and administrative expenses for the year ended December 31, 2021 were \$5,481,000, an increase of \$2,446,000, or 81%, compared to \$3,035,000 for the year ended December 31, 2020.

The increase was primarily due to:

- an increase of \$675,000 in IP expenses due to maintenance, defense, and commercialization efforts of existing patents;
- the provision of \$229,000 due to a VAT audit by the Israeli Tax Authority;
- an increase of \$528,000 in stock-based compensation due to new option grants;
- expenses of approx. \$206,000 related to our efforts to uplist to Nasdaq;
- an increase in in payroll expenses due to the hiring of additional employees, including a new CEO and controller, and a shift in the position of the CFO from part-time to full-time; and
- an increase in professional services expenses due to the hiring of a financial consultant, HR consultant, the appointment of new directors and additional hires.

Operating loss

We incurred an operating loss of \$9,112,000 for the year ended December 31, 2021, an increase of \$4,406,000, or 94%, compared to operating loss of \$4,706,000 for the year ended December 31, 2020. The increase in operating loss was primarily due to increases in expenses related to general and administrative, research and development, and sales and marketing, as described above.

Liquidity and Capital Resources

As of December 31, 2022, we had cash and cash equivalents of \$10.1 million and short-term deposits of \$3 million compared to cash and cash equivalents of \$8.6 million and short-term deposits of \$11 million as of December 31, 2021. In addition, as of December 31, 2022, we incurred an accumulated deficit of \$24.8 million compared to \$15.3 million as of December 31, 2021.

Our primary sources of liquidity to date have been from fund raising and warrant exercises.

Additional Cash Requirements

We plan to continue to invest for long-term growth, and therefore we expect that our expenses will increase. We currently believe that our existing cash and cash equivalents and short-term deposits will allow our to fund our operating plan through at least the next 12 months. We expect our expenses will increase in connection with our ongoing activities, particularly as we continue the research and development and the scale up process of our I4.0 solutions. We expect to incur significant commercialization expenses related to product sales, marketing, manufacturing, and distribution. Furthermore, we will continue to incur additional costs associated with operating as a public company. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations. We may raise these funds through equity financing, debt financing, or other sources, which may result in further dilution in the equity ownership of our common stock. There is no assurance that we will be able to maintain operations at a level sufficient for investors to obtain a return on their investment in our common stock, or that we will be able to raise sufficient capital required to implement our business plan on acceptable terms, if at all. Even if we are successful in raising sufficient capital to implement our business plan, we will, most likely, continue to be unprofitable for the foreseeable future. If we are unable to raise capital when needed or on attractive terms, we would be forced to delay, reduce, or eliminate our research and development programs or future commercialization efforts.

Cash Flows

Our primary uses of cash from operating activities have been for headcount-related expenditures, research and development costs, manufacturing costs, marketing and promotional expenses, professional services cost, and costs related to our facilities. Our cash flows from operating activities will continue to be affected due to the expected increase of spending on our business and our working capital requirements.

Comparison of the Year Ended December 31, 2022 and the Year Ended December 31, 2021

The following table sets forth the significant sources and uses of cash for the years ended December 31, 2022 and December 31, 2021 (in dollars):

	2022	2021
Cash used in Operating Activities	(6,095,000)	(5,886,000)
Cash provided by (used in) Investing Activities	7,882,000	(11,595,000)
Cash provided by Financing Activities	-	22,559,000

Operating Activities

During the year ended December 31, 2022, cash used in operating activities was \$6.1 million, consisting of net loss of \$9.5 million, partially offset by a non-cash benefit of \$2.1 million and a favorable net change in operating assets and liabilities of \$1.3 million. Our non-cash benefit consisted primarily of non-cash charges of \$1.6 million for stock-based compensation. The net change in our operating assets and liabilities primarily reflects cash inflows from changes in contract liability of \$1.2 million.

During the year ended December 31, 2021, cash used in operating activities was \$5.9 million, consisting of net loss of \$9 million, partially offset by a non-cash benefit of \$2 million and a favorable net change in operating assets and liabilities of \$1.1 million. Our non-cash benefit consisted primarily of non-cash charges of \$2 million for stock-based compensation. The net change in our operating assets and liabilities primarily reflects cash inflows from changes in contract liability of \$1.6 million partially offset by cash outflows from changes in contract fulfillment assets of \$0.5 million.

Investing Activities

During the year ended December 31, 2022, cash provided by investing activities was \$7.9 million, consisting mainly of withdrawal, net of short-term deposits.

During the year ended December 31, 2021, cash used in investing activities was \$11.6 million, consisting of investment in short-term deposits of \$11 million and purchases of property and equipment of \$0.6 million.

Financing Activities

During the year ended December 31, 2021, cash provided by financing activities was \$22.6 million, consisting primarily of \$19.1 million from cash proceeds from issuance of shares and warrants in a private placement and \$3.5 million proceeds from exercise of outstanding warrants.

Comparison of the Year Ended December 31, 2021 and the Year Ended December 31, 2020

The following table sets forth the significant sources and uses of cash for the years ended December 31, 2021 and December 31, 2020 (in dollars):

	2021	2020
Cash used in Operating Activities	(5,886,000)	(4,187,000)
Cash used in Investing Activities	(11,595,000)	(276,000)
Cash provided by Financing Activities	22,559,000	4,506,000

Operating Activities

Our primary uses of cash from operating activities have been for headcount-related expenditures, research and development costs, manufacturing costs, marketing and promotional expenses, professional services cost and costs related to our facilities. Our cash flows from operating activities will continue to be affected due to the expected increase of spending on our business and our working capital requirements.

During the year ended December 31, 2021, cash used in operating activities was \$5.9 million, consisting of net loss of \$9 million, partially offset by a non-cash benefit of \$2 million and an favorable net change in operating assets and liabilities of \$1.1 million. Our non-cash benefit consisted primarily of non-cash charges of \$2 million for stock-based compensation. The net change in our operating assets and liabilities primarily reflects cash inflows from changes in contract liability of \$1.6 million partially offset by cash outflows from changes in contract fulfillment assets of \$0.5 million.

During the year ended December 31, 2020, cash used in operating activities was \$4.2 million, consisting of net loss of \$4.7 million, non-cash charges of \$1.1 million and a unfavorable net change in operating assets and liabilities of \$0.6 million. Our non-cash charges consisted primarily of stock-based compensation expense of \$1.1 million. The net change in our operating assets and liabilities primarily reflects cash outflows from the changes in contract fulfillment assets of \$1.1 million, accrued expenses and other of \$0.4 million and other assets of \$0.3 million, partially offset by cash inflows from changes in inventory of \$0.7 million and change in contract liability of \$0.3 million.

Investing Activities

During the year ended December 31, 2021, cash used in investing activities was \$11.6 million, consisting of investment in short-term deposits of \$11 million and purchases of property and equipment of \$0.6 million.

During the year ended December 31, 200, cash used in investing activities was \$0.3 million, consisting of purchases of property and equipment.

Financing Activities

During the year ended December 31, 2021, cash provided by financing activities was \$22.6 million, consisting primarily of \$19.1 million from cash proceeds from issuance of shares and warrants in a private placement and \$3.5 million proceeds from exercise of outstanding warrants.

During the year ended December 31, 2020, cash provided by financing activities was \$4.5 million, consisting primarily of \$2.9 million from cash proceeds from issuance of shares and warrants and \$1.8 million proceeds from exercise of warrants.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide the information required by this Item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information called for by Item 8 is included following the “Index to Financial Statements” on page F-1 of this Annual Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting has been designed 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 in the United States of America.

Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of our assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles in the United States of America, and that receipts and expenditures are being made only in accordance with authorization of our management and directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. 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.

Management assessed the effectiveness of our internal control over financial reporting on December 31, 2022. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission 2013 framework, in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Based on that assessment under those criteria, management has determined that, as of December 31, 2022, our internal control over financial reporting was effective.

Attestation Independent Report of the Registered Public Accounting Firm

This annual report on Form 10-K does not include an attestation report of the Company’s independent 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 rules of the SEC that permit the Company to provide only management’s report in this annual report on Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes in internal control over financial reporting during the year ended December 31, 2022 that have materially affected or are reasonably likely to materially affect the Company’s internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not Applicable

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors, Executive Officers, Promoters and Control Persons

The following table sets forth the names and ages of our directors and executive officers:

Name	Age	Position
Prof. Benad Goldwasser [†]	72	Chairman of the Board
Shmuel Donnerstein [†]	56	Director
Ronen Rosenbloom	51	Director
Lior Amit [†]	56	Director
Moshe (Mori) Arkin	70	Director
Inbal Kreiss [†]	56	Director
Zeev Vurembrand [†]	71	Director
Yehu Ofer*	57	Chief Executive Officer
Tanya Yosef*	40	Chief Financial Officer
Amir Govrin*	56	Chief Technology Officer
Katrin Dlugach*	40	VP of Research and Development
Jacob Avinu*	40	Senior VP of Product Portfolio
Arik Priel*	48	Chief SW Architect

* Executive Officer

[†] Independent Director

Directors

Prof. Benad Goldwasser has served as chairman of our board of directors since December 26, 2019, and has served as chairman of ScoutCam Ltd.'s board of directors since its inception. Prof. Goldwasser is a serial entrepreneur and retired urology medical doctor. In 2016, Prof. Goldwasser launched a venture capital fund partnered with SAIL, a Shanghai Government investment company. Prof. Goldwasser has served as a member of the board of directors of Innoventric Ltd. since 2017 and Inspira Technologies Ltd. since January 2021. From 2013-2016 Prof. Goldwasser served as an external director of BioCanCell Ltd. (TASE: BICL). Prof. Goldwasser was the co-founder of Vidamed Inc., Medinol Ltd., Rita Medical Inc., Optonol Ltd. and GI View Ltd. Prof. Goldwasser served as managing director of Biomedical Investments Ltd., an Israeli Venture Capital firm. During his medical career, he served as Chairman of Urology at the Chaim Sheba Medical Center and Professor of Surgery at Tel-Aviv University. Prof. Goldwasser holds an MD and MBA from Tel-Aviv University.

Shmuel Donnerstein has served on our board of directors since December 26, 2019. Mr. Donnerstein has been an entrepreneur for over 40 years and is an industry veteran. Mr. Donnerstein's experience includes establishing businesses in multiple industries in Europe and Israel. Most notably, in 2008 he established Rav Bariach 08 Industries Ltd (TASE: BRIH) after buying the assets of its predecessor in receivership and led its turnaround to become a leading security door manufacturer worldwide. Mr. Donnerstein currently serves as the Executive Chairman and majority shareholder of Rav Bariach. In addition, Mr. Donnerstein is the Chairman of Rail Vision Ltd and, in 2014, received the Israeli Industry Award from Israel's Minister of Economy and Industry for his lifelong contribution to the Israeli Industrial sector.

Ronen Rosenbloom has served as a member of our board since December 26, 2019. Mr. Rosenbloom is an independent lawyer working out of a self-owned law firm specializing in white collar offences. Mr. Rosenbloom serves as chairman of the Israeli Money Laundering Prohibition committee and the Prohibition of Money Laundering Committee of the Tel Aviv District, both of the Israel Bar Association. Mr. Rosenbloom serves on the board of directors of Medigus Ltd. and Save Foods, Inc. Mr. Rosenbloom previously served as a police prosecutor in the Tel Aviv District. He has served as a member of the board of directors of Medigus Ltd. since August 2018. Mr. Rosenbloom holds an LLB from the Ono Academic College, an Israeli branch of University of Manchester.

Lior Amit has served on our board of directors since December 26, 2019. Since 2014, Mr. Amit has served as a financial consultant to multiple companies on matters related to, inter alia, mergers and acquisitions. Mr. Amit currently serves as a member of the board of directors for multiple Israeli public and private companies, including in the role of an external or independent director. He has served as a member of the board of directors of Inspira Technologies Ltd. since June 2021. Mr. Amit holds both a BA in economics and accounting and an MBA from Tel-Aviv University. Mr. Amit is a certified public accountant in Israel.

Moshe (Mori) Arkin has served on our board of directors since February 15, 2021. Mr. Arkin is a leading life science and pharmaceutical entrepreneur and serves as the chairman of Arkin Holdings, which he founded in 2009. Mr. Arkin has served as chairman of the board of directors of Sol Gel Technologies Ltd. (NASDAQ: SLGL) since 2014 and sits on the board of directors of several private pharmaceutical and medical device companies, including Digma Medical, a company developing systems to treat insulin resistance present in type 2 diabetes and other metabolic syndrome diseases, and Valcare Medical, a company developing heart valve devices. From 2005 to 2008, Mr. Arkin served as the head of generics at Perrigo Company, and from 2005 until 2011, as a member of its board of directors. Prior to joining Sol Gel Technologies Ltd., Mr. Arkin served as a director of cCAM Biotherapeutics Ltd., a company focused on the discovery and development of novel immunotherapies to treat cancer from 2012 until its acquisition in 2015 by Merck & Co., Inc. Mr. Arkin served as chairman of Agis Industries Ltd. from 1972 until its acquisition by Perrigo Company in 2005. Mr. Arkin holds a B.A. in psychology from the Tel Aviv University, Israel.

Inbal Kreiss has served on our board of directors since April 9, 2021. Ms. Kreiss is currently the Head of Innovation at the Systems, Missiles and Space Division of the Israeli Aerospace Industries Ltd. (IAI) and Chairwoman of RAKIA, Israel's 2nd Scientific and Technological Mission to the International Space Station. Since 2013, Ms. Kreiss has served as Deputy Director of the Space Division at IAI, leading the development, construction, launch and operation of observation and communication satellites for both Israeli and foreign users. Prior to that, Ms. Kreiss held various leadership positions within IAI, including chief engineer of Israel's Arrow 2 anti-ballistic missile defense system from 2000 to 2006, and project manager of the Arrow 3 exo-atmospheric interceptor from 2007 to 2013. Ms. Kreiss serves on the board of directors of Rail Vision Ltd. Ms. Kreiss holds a B.Sc in chemical engineering from the Technion, Israeli Institute of Technology, an Executive Masters in Business Administration from Tel Aviv University, and completed a visiting research fellowship at the Aeronautics & Astronautics Department of the Massachusetts Institute of Technology (MIT).

Zeev Vurembrand has served on our board of directors since May 13, 2021. Mr. Vurembrand is currently the Chief Executive Officer and Owner of Vurembrand Management & Innovation Ltd. and a member of the board of Bezeq the Israeli Telecommunication Corp. Ltd. (TASE: BEZQ) since 2017. Mr. Vurembrand has also served as chairman of the board of Lageen Ltd. since 2019. From 2013 until 2019, Mr. Vurembrand was the Chief Executive Officer of Kupat Holim Meuhedet, Israel's third largest health care organization. From 2008 until 2013, he was the Chief Executive Officer of Alon Holding Blue Square – Israel Ltd., and prior to that, from 2007 until 2008, he was the Chief Executive Officer of Phoenix Investments and Finance Ltd. Earlier in his career, from 2002 until 2007, Mr. Vurembrand was the Chief Executive Officer of Clalit Health Services Group, Israel's largest health care organization. Mr. Vurembrand has served on numerous boards of directors, including Africa Israel Residence LTD. (TASE: AFRE) from 2014 until 2016, Discount Bank (TASE:DSCT) 2006 until 2007, U-Bank from 2005 until 2006, Blue Square Israel (TASE: BSI) from 2001 until 2006, and Dikla Medical Insurance Ltd. from 1995 until 2002. Mr. Vurembrand has also served on the board of trustees of Bar Ilan University since 2019. Mr. Vurembrand holds a B.Sc in industrial engineering and management from the Technion, Israeli Institute of Technology.

Executive Officers

Yehu Ofer has served as Chief Executive Officer of the Company since October 18, 2022. Mr. Ofer served as a colonel (now retired) in the IAF, commanding two operational squadrons before commanding "Wing 15", the optic and electronic intelligence wing of the IAF. In his last position, Mr. Ofer served as Israel Defense Attaché to Italy, Greece, Serbia, and Croatia, where he oversaw the largest ever government-to-government transaction between Israel and Italy. Upon his retirement from the Israel Defense Forces in 2013, Mr. Ofer joined Elbit Systems Ltd. in its electro-optics unit as a technology development and program manager in airborne optic and laser solutions. Mr. Ofer also managed Elbit System's aerospace division as VP of large-scale development programs and VP of the Brazil business unit. In his last position at Elbit Systems, Mr. Ofer served as VP of Global Business Development, Marketing and Sales, a position he held since 2020. Mr. Ofer holds an MBA from the University of Haifa, a Bachelor of Economics and Logistics (cum laude) from Bar Ilan University in Tel Aviv, and a degree from the National Security College in Tel Aviv.

Tanya Yosef has served as our Chief Financial Officer since December 27, 2019. Ms. Yosef is a certified public accountant with many years of experience, and held various positions with Medigus Ltd. (Nasdaq: MDGS) since December of 2009, including most recently as chief financial officer and prior thereto as financial controller. During 2008-2009 Ms. Yosef worked in the audit department at Kesselman & Kesselman, a member firm of PricewaterhouseCoopers International Limited. Ms. Yosef holds a BA in Economics and Accounting from the Ben-Gurion University, Israel.

Amir Govrin has served as our Chief Technology Officer since May 1, 2019. Prior to his position with ScoutCam, Mr. Govrin held various positions at Medigus Ltd. (Nasdaq: MDGS) beginning in 2003, including VP R&D, R&D manager and GERD project manager. Prior to his tenure at Medigus, Mr. Govrin was project manager at Aran R&D from 1997 until 2003, and an R&D engineer at Netafim Ltd. from 1992 until 1997. Mr. Govrin holds a B.Sc in mechanical engineering from Tel Aviv University, Israel.

Katrin Dlugach has served as our VP of Research and Development since July 1, 2019. Prior to her position with ScoutCam, Ms. Dlugach was a system engineer and project manager at Nanofabrica Ltd. from August 2018 to June 2019. Before that, Ms. Dlugach served in a number of roles, including chief of development and chief executive officer, at Nitinotes Ltd. from 2014 until 2018. Earlier in her career, Ms. Dlugach held a variety of R&D positions at Medigus Ltd. (Nasdaq: MDGS). Ms. Dlugach holds a B.Sc., M.Sc. and MBA from Ben-Gurion University, Israel.

Jacob Avinu has served as our Senior VP of Product Portfolio since November 15, 2022. Mr. Avinu has more than 15 years of experience in development, operations, and leadership in a variety of industries, including aviation and aerospace. He joined ScoutCam from Elbit Systems, where since 2018 he led the advanced capabilities R&D group in helmet-mounted displays and sensors, a key segment within the company's aerospace division. Before joining Elbit Systems, Mr. Avinu served for six years in the Israeli Air Force as a computer vision system engineer and commander of the electronic systems development group. Mr. Avinu holds a Master of Science degree from Ben-Gurion University of the Negev in Beer-Sheva, Israel with a focus on electro-optical engineering, and a Bachelor of Science in electrical engineering from Ort Braude College of Engineering in Karmiel Israel. Mr. Avinu also studied practical engineering and electronics at the Israeli Air Force Academy.

Arik Priel has served as our Chief SW Architect since November 1, 2021. Mr. Priel has over 20 years of experience in leading multidisciplinary R&D and engineering teams in defining and navigating product development from concept to deployment, with a focus on cloud-based architectures and AI-based technologies. Prior to joining ScoutCam, Mr. Priel held several senior technology positions, most recently as CTO of Octopol from June 2019 to August 2021, where he combined state-of-the-art AI models together with cutting-edge software technology. Prior to Octopol, Mr. Priel served as Director of Technology at Green & Gold Analytics from March 2017 to June 2019, where he established partnerships with Microsoft and Amazon Web Services. Mr. Priel also previously served as VP R&D and established the Israeli Innovation Center of Landesk (currently named Ivanti). Mr. Priel earned both his BSc in Computer Science and Economics and MBA from Bar-Ilan University.

Staggered Board

Our board of directors is divided into three classes. Ronen Rosenbloom and Zeev Vurembrand are our Class I directors, with their terms of office to expire at our 2025 annual meeting of stockholders. Lior Amit, Shmuel Donnerstein and Inbal Kreiss are our Class II directors, with their terms of office to expire at our 2023 annual meeting of stockholders. Professor Benad Goldwasser and Moshe (Mori) Arkin are our Class III directors, with their terms of office to expire at our 2024 annual meeting of stockholders. At each annual meeting of stockholders, directors elected to succeed those directors whose terms expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election, with each director to hold office until his or her successor shall have been duly elected and qualified.

Our board of directors may consider a broad range of factors relating to the qualifications and background of nominees to serve as director, which may include various diversity factors. We have no formal policy regarding board diversity.

Our officers hold office until the earlier of their death, resignation or removal by our board of directors or until their successors have been selected. They serve at the pleasure of our board of directors.

Family Relationships

There are no family relationships between or among any of our directors or executive officers.

Involvement in Certain Legal Proceedings

To our knowledge, our directors and executive officers have not been involved in any of the following events during the past ten years:

- a) any bankruptcy petition filed by or against such person or any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- b) any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- c) being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from or otherwise limiting his involvement in any type of business, securities or banking activities or to be associated with any person practicing in banking or securities activities;
- d) being found by a court of competent jurisdiction in a civil action, the SEC or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;
- e) being subject of, or a party to, any federal or state judicial or administrative order, judgment decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of any federal or state securities or commodities law or regulation, any law or regulation respecting financial institutions or insurance companies, or any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
- f) being subject of or party to any sanction or order, not subsequently reversed, suspended, or vacated, of any self-regulatory organization, any registered entity or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Compliance with Section 16(a) of the Exchange Act

Our common stock is not registered pursuant to Section 12 of the Exchange Act. Accordingly, our directors, officers and principal stockholders are not subject to the beneficial ownership reporting requirements of Section 16(a) of the Exchange Act.

Code of Ethics

We have adopted a code of business conduct and ethics that applies to all of our directors, officers, and employees (including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions). We have made the code of business conduct and ethics available on our website at www.scoutcam.com. We will disclose promptly by posting such disclosure on our website any amendment to or waiver from the code of business conduct and ethics for our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, as required by law or SEC regulations. Information contained on, or that can be accessed through, our website does not constitute a part of this Annual Report.

Board Committees

We are not currently subject to listing requirements of any national securities exchange, which generally require the creation of an audit committee, compensation committee or process, and nominations committee or process, and that each of these committees or processes be comprised of independent directors and tasked with performing certain responsibilities for the board of directors. Notwithstanding the foregoing, we have voluntarily created an audit committee and compensation committee with responsibilities consistent with those required under SEC and Nasdaq rules.

Audit Committee. The members of the audit committee are Ms. Kreiss, Mr. Amit, and Mr. Vurembrand, with Mr. Vurembrand as its designated chairperson. The audit committee is governed by a written charter approved by the board of directors and available on our website at www.scoutcam.com. The board of directors has determined that all current audit committee members are financially literate under the Nasdaq listing requirements and that Mr. Vurembrand qualifies as an “audit committee financial expert” as defined by the SEC rules adopted pursuant to the Exchange Act. The Nasdaq listing requirements require that audit committees have at least three directors and that all directors be independent, as defined in the Nasdaq listing requirements and Rule 10A-3 under the Exchange Act. The Board has determined that Ms. Kreiss, Mr. Amit, and Mr. Vurembrand meet the independence criteria established in the Nasdaq listing requirements and the Exchange Act.

The audit committee assists the board of directors in its oversight of financial reporting practices and the quality and integrity of the financial reports of ScoutCam including compliance with legal and regulatory requirements, the independent auditors’ qualifications and independence, and the performance of ScoutCam’s internal control function. The audit committee is responsible for the appointment of ScoutCam’s independent auditors. The audit committee oversees our internal controls and risk assessment and management policies and meets with our independent auditor and management regarding our internal controls and other matters. The audit committee is responsible for periodically reviewing ScoutCam’s code of business conduct and ethics and has established procedures for the receipt, retention, and treatment of complaints received by ScoutCam regarding accounting controls or auditing matters and the confidential, anonymous submission by ScoutCam employees of concerns regarding questionable accounting or auditing matters. The audit committee is also responsible for approving or ratifying related person transactions pursuant to ScoutCam’s related person transaction approval policy contained in the audit committee charter.

Compensation Committee. The members of the compensation committee are Ms. Kreiss, Mr. Amit, and Mr. Vurembrand, with Ms. Kreiss as its designated chairperson., all of whom meet the independence criteria established by the Nasdaq listing requirements. The compensation committee is governed by a written charter approved by the board of directors and available on our website at www.scoutcam.com. The compensation committee is charged with the responsibility for setting executive compensation, reviewing certain compensation programs, administering our equity incentive plans, reviewing and discussing with management the compensation discussion and analysis required in proxy statements (if and when applicable), preparing a report on executive compensation required by SEC rules to be included in proxy statements (if and when applicable), and making other recommendations to the board of directors.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table

The following sets forth information about the compensation paid to or accrued by the company's principal executive officer and its two other most highly compensated persons serving as executive officers as of December 31, 2022. These executives are referred to as the "named executive officers."

Name and Principal Position	Year	Base Salary (5)	Bonus (6)	Stock Awards (7)	Option Awards (7) (8)	All Other Compensation	Total
\$ in thousands							
Yovav Sameah,	2022	\$ 265	\$ -	\$ 432	\$ -	\$ 35	\$ 732
Former Chief Executive Officer ⁽¹⁾	2021	\$ 232	\$ 50	\$ -	\$ 1,284	\$ 24	\$ 1,590
Yehu Ofer,							
Chief Executive Officer ⁽²⁾	2022	\$ 68	\$ 21	\$ -	\$ 774	\$ 8	\$ 871
Jacob Avinu,							
Senior VP Product ⁽³⁾	2022	\$ 38	\$ 14	\$ -	\$ 258	\$ 1	\$ 311
Amir Govrin	2022	\$ 194	\$ -	\$ 108	\$ -	\$ 23	\$ 325
Chief Technology Officer ⁽⁴⁾	2021	\$ 184	\$ -	\$ -	\$ 187	\$ 22	\$ 393

(1) Consists of Mr. Sameah's compensation earned in his capacity as the Chief Executive Officer of wholly-owned subsidiary, ScoutCam Ltd. Mr. Sameah did not earn any compensation in his capacity as the Chief Executive Officer of ScoutCam Inc. Mr. Sameah's employment terminated on October 18, 2022.

(2) Consists of Mr. Ofer's compensation earned in his capacity as the Chief Executive Officer of our wholly-owned subsidiary, ScoutCam Ltd. Mr. Ofer did not earn any compensation in his capacity as the Chief Executive Officer of ScoutCam Inc. Mr. Ofer's employment commenced on October 18, 2022.

In connection with the appointment of Mr. Ofer as the Company's Chief Executive Officer, the Company entered into an employment agreement with Mr. Ofer that provides for the terms and conditions of his employment as the Company's Chief Executive Officer. The agreement provides for a monthly base salary of NIS 70,000, subject to adjustments for inflation as announced from time to time in accordance with Israeli law. The agreement also provides that Mr. Ofer is entitled to receive an equity grant of options to purchase a total of 300,000 shares of the Company's common stock, par value \$0.001 per share, at an exercise price of \$4.50 per share, which shall vest and become exercisable as follows: 33.33% of the shares covered by Mr. Ofer's options on the first anniversary of his service as CEO, and 8.33% of the shares covered by Mr. Ofer's options at the end of each subsequent three-month period thereafter over the course of the subsequent two years. Furthermore, Mr. Ofer's options will immediately vest upon the occurrence of the following (i) the sale of all or substantially all of the assets of the Company, (ii) the sale of more than 50% of the common stock of the Company in a non-public sale, (iii) the dissolution or liquidation of the Company or (iv) any merger, share exchange, consolidation or other reorganization or business combination if immediately after such transaction either (A) the persons who were directors of the Company immediately prior to such transaction do not constitute at least a majority of the directors of the surviving entity or (B) the persons who hold a majority of the voting capital stock of the surviving entity are not the persons who held a majority of the voting capital stock of the Company immediately prior to such transaction. Additionally, the Company agreed to pay Mr. Ofer both (i) a signing bonus in the aggregate amount of NIS 70,000 and (ii) an annual bonus pursuant to certain pre-determined measurable objectives agreed to with Mr. Ofer and approved by the board of directors by January 31 with respect to each calendar year, with the Company agreeing to recommend to the board of directors a grant of restricted stock in lieu of Mr. Ofer's bonus through such time the Company is profitable and subject to meeting applicable objectives. In accordance with the terms of Mr. Ofer's employment agreement, he will also receive additional benefits customary for an executive officer of his experience and for companies of similar stature and standing to that of the Company.

- (3) Consists of Mr. Avinu's compensation earned in his capacity as the Senior VP Product of our wholly-owned subsidiary, ScoutCam Ltd. Mr. Avinu's employment commenced on November 15, 2022.

In connection with the appointment of Mr. Avinu as the Company's Senior VP Product, the Company entered into an employment agreement with Mr. Avinu that provides for the terms and conditions of his employment as the Company's Senior VP Product. The agreement provides for a monthly salary of NIS 60,000. The agreement also provides that Mr. Avinu is entitled to receive an equity grant of options to purchase a total of 100,000 shares of the Company's common stock, par value \$0.001 per share, at an exercise price of \$4.50 per share, which shall vest and become exercisable as follows: 33.33% of the shares covered by Mr. Avinu's options on the first anniversary of his service as SVP Product, and 8.33% of the shares covered by Mr. Avinu's options at the end of each subsequent three-month period thereafter over the course of the subsequent two years. Additionally, the agreement provides to Mr. Avinu: (i) a signing bonus in the aggregate amount of NIS 50,000 (ii) a performance bonus in the aggregate amount of NIS 120,000 pursuant to certain objectives and (iii) the Company will consider, at its sole discretion, after the first and second years following his employment, granting Mr. Avinu additional options / RSUs pursuant to certain objectives, subject to the approval of such grant by the CEO and board of directors of the Company. In accordance with the terms of Mr. Avinu's employment agreement, he will also receive additional benefits customary for an executive officer of his experience and for companies of similar stature and standing to that of the Company.

- (4) Consists of Mr. Govrin's compensation earned in his capacity as the Chief Technology Officer of our wholly-owned subsidiary, ScoutCam Ltd. Mr. Govrin did not earn any compensation in his capacity as the Chief Technology Officer of ScoutCam Inc.

In connection with the appointment of Mr. Govrin as the Company's Senior VP Product in May 2019, the Company entered into an employment agreement with Mr. Govrin that provides for a monthly base salary of NIS 37,000. In accordance with the terms of Mr. Govrin's employment agreement, he will also receive additional benefits customary for an executive officer of his experience and for companies of similar stature and standing to that of the Company. Effective April 1, 2022, Mr. Govrin received an increase in his monthly base salary to NIS 41,000.

- (5) Base salaries are intended to provide a level of compensation sufficient to attract and retain an effective management team, when considered in combination with the other components of our executive compensation program. The relative levels of base salary for our named executive officers are designed to reflect each named executive officer's scope of responsibility and accountability. Base salary amounts include management insurance (which includes pension, disability insurance and severance pay) and payments towards such employee's education fund, and Israeli social security. Each named executive officer also receives gross-up payments for the taxes on these benefits. The amounts included here are the U.S. dollar equivalent from NIS. The conversion rate used was the average of the 2021 and 2022 rates between the U.S. dollar and NIS, as published by the Bank of Israel.
- (6) Represents a signing bonus.
- (7) The amount shown in the "Option Awards" and "Stock Awards" columns represents the aggregate grant date fair value of awards computed in accordance with ASC 718, not the actual amounts paid to or realized by the Named Executive Officer during 2022 and 2021. The ASC 718 fair value amount as of the grant date for stock options generally is spread over the number of months of service required for the grant to vest..
- (8) The fair value of each stock option award is estimated as of the date of grant using the Black-Scholes valuation model. Additional information regarding the assumptions used to estimate the fair value of all stock option awards is included in Note 9b-c to Consolidated Financial Statements.

Employment Agreements

We, and through our Israeli subsidiary, have entered into written employment agreements with each of our executive officers. All of these agreements contain customary provisions regarding noncompetition, confidentiality of information, and assignment of inventions. However, the enforceability of the noncompetition provisions may be limited under applicable law. In addition, we have entered into agreements with each executive officer and director pursuant to which we have agreed to indemnify each of them to the fullest extent permitted by law to the extent that these liabilities are not covered by directors and officers insurance.

Equity-based compensation

Outstanding Equity Awards

The following table provides information regarding equity awards for each of our named executive officers, as that term is defined in Item 402(m)(2) of Regulation S-K as of our fiscal year end of December 31, 2022.

Name and Position	Options Award					Restricted Stock Awards	
	No. of Securities Underlying Unexercised Options (#) Exercisable	No. of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Vesting Schedule	Option Expiration Date	Number of Units of Stock That Have Not Vested (#)	Market Value of Units of Stock That Have Not Vested (\$)(1)
Yovav Sameah, Former Chief Executive Officer	100,487	-	3.60	(3)	October 18, 2025	-	-
Yehu Ofer, Chief Executive Officer	-	300,000	4.50	(3)	November 14, 2029	-	-
Jacob Avinu, Senior VP Product Portfolio	-	100,000	4.50	(3)	November 14, 2029	-	-
Amir Govrin Chief Technology Officer	55,516 13,055	3,702 13,057	2.61 4.50	(2) (3)	February 12, 2027 May 13, 2028	15,000	75,000

- (1) Based on the fair market value of our Common Stock on December 31, 2022 (\$5.00 per share).
- (2) 25% of the options granted will vest on the first anniversary date of the option grant, and 6.25% of the options will vest at the end of each subsequent three-month period thereafter over the course of the following three (3) years. Pursuant to an acceleration mechanism, any outstanding and unvested options shall immediately accelerate and vest upon the occurrence of certain events, including, inter alia, a merger or sale of all assets of the Company.
- (3) 33.33% of the options granted will vest on the first anniversary date of the option grant, and 8.33% of the options will vest at the end of each subsequent three-month period thereafter over the course of the following two (2) years. Pursuant to an acceleration mechanism, any outstanding and unvested options shall immediately accelerate and vest upon the occurrence of certain events, including, inter alia, a merger or sale of all assets of the Company.

Retirement or Similar Benefit Plans

We do not have any arrangements or plans that provide for the payment of retirement or similar benefits to our directors or executive officers.

Resignation, Retirement, Other Termination, or Change in Control Arrangements

We have no contract, agreement, plan or arrangement, whether written or unwritten, that provides for payments to our directors or executive officers at, following, or in connection with the resignation, retirement or other termination of our directors or executive officers, or a change in control of our Company or a change in our directors' or executive officers' responsibilities following a change in control.

Director Compensation

The following table sets out the compensation paid to directors for services rendered during the year ended December 31, 2022.

Name	Fees Earned or Paid in Cash	Stock Awards (*)	Option Awards (*) \$ in thousands	All Other Compensation	Total
Prof. Benad Goldwasser	\$ 120	\$ -	\$ 189	\$ -	\$ 309
Shmuel Donnerstein	\$ 16	\$ -	\$ -	\$ -	\$ 16
Ronen Rosenbloom	\$ 16	\$ -	\$ -	\$ -	\$ 16
Lior Amit	\$ 26	\$ -	\$ -	\$ -	\$ 26
Moshe (Mori) Arkin	\$ 16	\$ -	\$ -	\$ -	\$ 16
Inbal Kreiss	\$ 26	\$ -	\$ -	\$ -	\$ 26
Zeev Vurembrand	\$ 26	\$ -	\$ -	\$ -	\$ 26

(*) The amount shown in the “Stock Awards” and “Option Awards” columns represents the aggregate grant date fair value of awards computed in accordance with ASC 718, not the actual amounts paid to or realized by the directors during fiscal 2021. The fair value of each stock option award is estimated as of the date of grant using the Black-Scholes valuation model. Additional information regarding the assumptions used to estimate the fair value of all stock option awards is included in Note 9b-c Consolidated Financial Statements.

On March 15, 2020, our board of directors approved a quarterly fee of \$4,000 payable to each of our currently serving directors, excluding Professor Benad Goldwasser. On each of April 9, 2021 and August 12, 2021, our board of directors approved the same terms for directors appointed subsequent to March 15, 2020. On May 15, 2022, the board of directors approved a quarterly fee in the amount of \$2,000 payable to a director for each committee on which such director serves, if any, with such fee in addition to any other fees to which such director is entitled as a member of the board of directors or any other committee.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Security Ownership of Certain Beneficial Owners and Management

The table below provides information regarding the beneficial ownership of our common stock as of March 28, 2023, of (i) each of our current directors, (ii) each of the Named Executive Officers, (iii) all of our current directors and officers as a group, and (iv) each person or entity known to us who owns more than 5% of our common stock.

The percentage of common stock beneficially owned is based on 10,432,518 shares of common stock outstanding as of March 28, 2023. The number and percentage of shares beneficially owned by a person or entity also include shares of common stock issuable upon exercise of warrants that are currently exercisable or will become exercisable within 60 days of March 28, 2023. However, these shares are not deemed to be outstanding for the purpose of computing the percentage of shares beneficially owned of any other person or entity.

Unless otherwise indicated below, the address for each beneficial owner listed in the table below is c/o ScoutCam Inc., Suite 7A and 3B, Industrial Park, P.O. Box 3030, Omer, Israel 8496500.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership ⁽¹⁾	Percent of Class
Prof. Benad Goldwasser ⁽²⁾	430,633	3.98%
Shmuel Donnerstein ⁽³⁾	120,654	1.15%
Ronen Rosenbloom ⁽⁴⁾	19,728	*
Lior Amit ⁽⁵⁾	33,082	*
Inbal Kreiss ⁽⁶⁾	10,683	*
Moshe (Mori) Arkin ⁽⁷⁾	5,854,754	44.96%
Zeev Vurembrand ⁽⁸⁾	9,347	*
Yehu Ofer	-	-
Tanya Yosef ⁽⁹⁾	41,460	*
Amir Govrin ⁽¹⁰⁾	82,874	*
Katrin Dlugach ⁽¹¹⁾	51,414	*
Jacob Avinu	-	-
Arik Priel ⁽¹²⁾	19,999	*
Directors and officers as a group (13 individuals)	6,674,628	48.61%
Medigus Ltd.	1,924,575	18.45%
The More Group ⁽¹³⁾	1,000,355	9.16%
The Phoenix Holdings ⁽¹⁴⁾	3,240,378	26.89%
The Meitav Dash Group ⁽¹⁵⁾	910,136	8.36%

* Less than 1%.

- (1) Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Each of the beneficial owners named in the table have, to our knowledge, direct ownership of and sole voting and investment power with respect to the shares of common stock beneficially owned by them.
- (2) Includes options to purchase 386,692 shares of common stock which are currently exercisable or will become exercisable within 60 days of March 28, 2023.
- (3) Includes options to purchase 51,717 shares of common stock which are currently exercisable or will become exercisable within 60 days of March 28, 2023.
- (4) Includes options to purchase 19,728 shares of common stock which are currently exercisable or will become exercisable within 60 days of March 28, 2023.
- (5) Includes options to purchase 33,082 shares of common stock which are currently exercisable or will become exercisable within 60 days of March 28, 2023.
- (6) Includes options to purchase 10,683 shares of common stock which are currently exercisable or will become exercisable within 60 days of March 28, 2023.
- (7) Securities included herein are held directly by Mr. Moshe Arkin, Mr. Arkin through his individual retirement account, or by M. Arkin (1999) Ltd, a company wholly-owned by Mr. Arkin. These securities include warrants to purchase 2,575,164 shares of common stock and options to purchase 15,721 shares of common stock which are currently exercisable or will become exercisable within 60 days of March 28, 2023.
- (8) Includes options to purchase 9,347 shares of common stock which are currently exercisable or will become exercisable within 60 days of March 28, 2023.

- (9) Includes options to purchase 41,460 shares of common stock which are currently exercisable or will become exercisable within 60 days of March 28, 2023.
- (10) Includes options to purchase 82,874 shares of common stock which are currently exercisable or will become exercisable within 60 days of March 28, 2023.
- (11) Includes options to purchase 51,414 shares of common stock which are currently exercisable or will become exercisable within 60 days of March 28, 2023.
- (12) Includes options to purchase 19,999 shares of common stock which are currently exercisable or will become exercisable within 60 days of March 28, 2023.
- (13) Based on information provided to or available to the Company, consists of warrants to purchase 485,343 shares of common stock. The business address of the More Group is BSR Tower 1, 2 Ben Gurion Street, Ramat Gan, Israel.
- (14) Based on information provided to or available to the Company and on the Schedule 13G/A filed by The Phoenix Holdings with the SEC on February 14, 2023, which provides that the securities are beneficially owned by various direct or indirect, majority or wholly-owned subsidiaries of the Phoenix Holdings Ltd. (the "Subsidiaries"). The Subsidiaries manage their own funds and/or the funds of others, including for holders of exchange-traded notes or various insurance policies, members of pension or provident funds, unit holders of mutual funds, and portfolio management clients. Each of the Subsidiaries operates under independent management and makes its own independent voting and investment decisions. These securities include 1,620,189 warrants to purchase shares of common stock, which are currently exercisable or will become exercisable within 60 days of March 28, 2023. The business address of the Phoenix Holdings Ltd. is Derech Hashalom 53, Givataim 53454, Israel.
- (15) Based on information provided to or available to the Company, consists of warrants to purchase 455,068 shares of common stock.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Related Party Transactions

On April 20, 2020, Medigus and ScoutCam Ltd. entered into an Intercompany Services Agreement, which amended and restated the intercompany services agreement executed between the parties on May 30, 2019. The agreement has an initial term of one year, and renews automatically for additional one-year periods, unless either party provides 60 (sixty) days written notice of non-renewal. Either Medigus or ScoutCam Ltd. may terminate the agreement for convenience upon providing 60 days prior written notice. The services to be provided by ScoutCam Ltd. include the provision of office space, utilities, car services, insurance, and chief financial officer services. In consideration for the foregoing services, ScoutCam Ltd. is entitled to arm's length service fees based on the most recent transfer pricing analysis as performed by an external expert, which may be adjusted from time to time. On March 22, 2022, ScoutCam Ltd. provided prior written notice to Medigus of termination of the Intercompany Services Agreement effective May 21, 2022.

On May 18, 2020, we entered into and consummated a securities purchase agreement with M. Arkin (1999) Ltd. ("Arkin Ltd."), a company wholly-owned by Moshe Arkin, a major shareholder of our Company and member of our board of directors, in connection with the sale and issuance of 229,569 units ("Arkin Units"), at a purchase price of \$8.712 per Arkin Unit, and for an aggregate purchase price of \$2,000,000 (the "Arkin Transaction"). Each Arkin Unit consists of: (i) two shares of common stock and (ii) (a) one warrant to purchase one share of common stock with an exercise price of \$5.355 ("Warrant A") and (b) two warrants, each to purchase one share of common stock with an exercise price of \$8.037 ("Warrant B", and together with Warrant A, the "Arkin Warrants"). The shares of common stock and Arkin Warrants were issued to Arkin Ltd. pursuant to Regulation S of the Securities Act of 1933, as amended.

Also on May 18, 2020, and in connection with the Arkin Transaction, we, Medigus and Arkin Ltd. entered into a Voting Agreement, pursuant to which Arkin Ltd. and Medigus each agreed to vote their respective shares of common stock in favor of the election of the opposite party's designated representative(s), as applicable, to our board of directors. Each of Arkin Ltd.'s and Medigus' rights under the Voting Agreement are contingent upon, inter alia, such party maintaining certain beneficial ownership thresholds in our company.

Also on May 18, 2020, in connection with the Arkin Transaction, we, Medigus and Arkin, entered into the Letter Agreement, whereby, provided that we obtain certain regulatory approvals described therein, we and Medigus agreed to amend certain terms of the Amended and Restated Asset Transfer Agreement and the License Agreement, thereby transferring outright certain patent assets from Medigus to us; provided, however, that in the event that we neglect the foregoing patent assets, we must transfer back ownership of the patent assets to Medigus for no additional consideration and absent any additional contingencies. On July 27, 2020, Medigus and ScoutCam Ltd. entered into each of the Addendum No. 1 to the Amended and Restated Asset Transfer Agreement, or the Addendum, and the Patent License Agreement Termination, in order to reflect and effect the amendments agreed upon in the Letter Agreement.

Beginning on January 1, 2021 and as of the date hereof, our board of directors authorized the allotment of options to purchase 128,334 shares of common stock to Prof. Benad Goldwasser and an aggregate of 901,842 options and RSUs to purchase shares of common stock to additional directors and certain officers of our company.

On March 29, 2021, we issued to certain investors, including M. Arkin (1999) Ltd., 2,469,156 units in exchange for an aggregate purchase price of \$20 million. Each such unit consists of (i) one share of common stock and (ii) one warrant to purchase one share of common stock with an exercise price of \$10.35 per share. Each such warrant is exercisable until the close of business on March 31, 2026. Pursuant to the terms of the foregoing warrants, following April 1, 2024, if the closing price of our the common stock equal or exceeds 135% of the aforementioned exercise price (subject to appropriate adjustments for stock splits, stock dividends, stock combinations and other similar transactions after the issue date of the warrants) for any thirty (30) consecutive trading days, we may force the exercise of the warrants, in whole or in part, by delivering to these investors a notice of forced exercise. The shares of common stock and the warrants were issued to such investors pursuant to Regulation S of the Securities Act of 1933, as amended. The securities issued in connection with the foregoing investment were registered by us for resale under a registration statement on Form S-1 declared effective on May 10, 2021.

On March 16, 2023, we entered into and consummated securities purchase agreements with (i) Moshe Arkin through his individual retirement account and (ii) The Phoenix Insurance Company Ltd. ("Phoenix Insurance") and Shotfut Menayot Israel – Phoenix Amitim ("Phoenix Amitim"), in connection with the sale and issuance of an aggregate of 3,294,117 units, at a purchase price of \$4.25 per unit, and for an aggregate purchase price of \$14,000,000. Each unit consists of: (i) one share of common stock and (ii) one warrant to purchase one share of common stock with an exercise price of \$5.50. As with Mr. Arkin, Phoenix Insurance and Phoenix Amitim are existing shareholders of the Company. The shares of common stock and warrants were issued pursuant to Regulation S of the Securities Act of 1933, as amended.

Policies and Procedures for Related Party Transactions

The audit committee is responsible for approving or ratifying related person transactions pursuant to ScoutCam's related person transaction approval policy contained in the audit committee charter. In reviewing and approving any such related person transactions, the audit committee shall consider all relevant facts and circumstances, including whether the transaction is on terms comparable to those that could be obtained in an arm's length transaction and the extent of the related person's interest in the transaction. The audit committee shall have the authority to establish guidelines for related person transactions and intercompany arrangements where it deems it to be appropriate.

Director Independence

Our board of directors has determined that Professor Benad Goldwasser, Mr. Shmuel Donnerstein, Ms. Inbal Kreiss, Mr. Lior Amit and Mr. Zeev Vurembrand do not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is "independent". We are not currently subject to listing requirements of any national securities exchange, which generally stipulate certain requirements that a majority of a company's board of directors be classified as "independent". As a result, we are not at this time required to have our board of directors comprised of a majority of "independent directors". Notwithstanding the foregoing, we have voluntarily adopted the definition of "independent" as defined under Nasdaq Rule 5605(a)(2), and believe Professor Goldwasser, Mr. Donnerstein, Ms. Kreiss, Mr. Amit and Mr. Vurembrand qualify accordingly.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Audit and Accounting Fees

The following table sets forth the fees billed to our Company for professional services rendered by Brightman Almagor Zohar & Co., a firm in the Deloitte global network, and Kesselman & Kesselman, a member of PricewaterhouseCoopers International Limited, for the fiscal years ended December 31, 2021 and December 31, 2022:

Services	Year Ended	
	December 31, 2022	December 31, 2021
	\$ in thousands	
Audit fees ⁽¹⁾	\$ 85(3)	\$ 240(4)
Tax fees ⁽²⁾	21	16
Total fees	\$ 106	\$ 256

- (1) Audit fees consist of audit and review services, consents and review of documents filed with the SEC.
- (2) Tax fees consist of services related to representing the Company before the Israel Tax Authority in a VAT assessment.
- (3) Audit Fees in 2022 were for services rendered by Brightman Almagor Zohar & Co., a firm in the Deloitte global network.
- (4) Audit Fees in 2021 consist of \$123,000 in connection with the services rendered by Brightman Almagor Zohar & Co., a firm in the Deloitte global network, and \$117,000 in connection with the services rendered by Kesselman & Kesselman, a member of PricewaterhouseCoopers International Limited.

Audit Committee Administration of Engagement

The audit committee maintains a pre-approval policy that provides guidelines for the audit, audit-related, tax, and other permissible non-audit services that may be provided by the independent registered public accounting firm (the independent auditors) in order to ensure that the provision of such services does not impair the auditor's independence. Under this policy, the audit committee annually pre-approves the audit fee and terms of the engagement, as set forth in the engagement letter, along with a specified list of audit-related and tax services. If any service to be provided by the independent auditors has not received pre-approval during this annual process, it will require specific pre-approval by the audit committee.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Exhibit No.	Exhibit Description
3.1.1	Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1.4 to our Quarterly Report on Form 10-Q filed with the SEC on August 12, 2021)
3.2.1*	Amended and Restated Bylaws
4.1*	Description of the Registrant's Securities
10.1	Amended and Restated Asset Transfer Agreement, by and between ScoutCam Ltd. and Medigus Ltd., dated December 1, 2019 (incorporated by reference to Exhibit 10.7 to our Current Report on Form 8-K filed with the SEC on December 31, 2019)
10.2+	Consulting Agreement by and between ScoutCam Ltd. and Prof. Benad Goldwasser, dated July 31, 2019 (incorporated by reference to Exhibit 10.8 to our Current Report on Form 8-K filed with the SEC on December 31, 2019)
10.3*	2020 Share Incentive Plan
10.4*	Form of Notice of Option Grant and Option Agreement
10.5*	Form of Notice of RSU Grant and RSU Agreement
10.6+	Employment Agreement, by and between ScoutCam Ltd. and Amir Govrin, dated May 1, 2019 (incorporated by reference to Exhibit 10.20 to our Form S-1 filed with the SEC on May 12, 2020)
10.7+	Employment Agreement, by and between ScoutCam Ltd. and Tanya Yosef, dated January 14, 2021 (incorporated by reference to Exhibit 10.21 to our Annual Report on Form 10-K filed with the SEC on March 31, 2021)
10.8+	Employment Agreement, by and between ScoutCam Ltd. and Katrin Dlugach, dated July 1, 2019 (incorporated by reference to Exhibit 10.22 to our Annual Report on Form 10-K filed with the SEC on March 31, 2021)
10.9	Voting Agreement, dated May 18, 2020, by and among ScoutCam Inc. Medigus Ltd. and M. Arkin (1999) Ltd. (incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K filed with the SEC on May 19, 2020)
10.10**	Addendum No. 1 to the Amended and Restated Asset Transfer Agreement, dated July 27, 2020, by and between ScoutCam Ltd. and Medigus Ltd. (incorporated by reference to Exhibit 10.30 to our Registration Statement on Form S-1/A filed with the SEC on October 19, 2021)
10.11	Purchase Order Form, between ScoutCam Inc. and the Investors in the March 2021 Private Placement (incorporated by reference to Exhibit 10.34 to our Registration Statement on Form S-1 filed with the SEC on May 4, 2021)
10.12	Form of Warrant (incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K filed with the SEC on March 24, 2021)
10.13+	Employment Agreement, dated October 26, 2021, by and between ScoutCam Ltd. and Arik Priel (incorporated by reference to Exhibit 10.23 to our Annual Report on Form 10-K filed with the SEC on March 30, 2022)
10.14+	Employment Agreement, dated July 13, 2022, by and between ScoutCam Ltd. and Yehu Ofer (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on October 18, 2022)
10.15+*	Employment Agreement dated September 20, 2022, by and between ScoutCam Ltd. and Jacob Avinu.
10.24	Form of Warrant to Purchase Shares of Common Stock (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on March 17, 2023)
10.25	Stock Purchase Agreement, dated March 16, 2023 by and between ScoutCam Inc. and the Investors defined therein . (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on March 17, 2023)

10.26	<u>Stock Purchase Agreement, dated March 16, 2023 by and between ScoutCam Inc. and the Investors defined therein. (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed with the SEC on March 17, 2023)</u>
10.27	<u>Registration Rights Agreement, dated March 16, 2023, among ScoutCam Inc. and the Investor defined therein (incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K filed with the SEC on March 17, 2023)</u>
10.28	<u>Registration Rights Agreement, dated March 16, 2023, among ScoutCam Inc. and the Investor defined therein (incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K filed with the SEC on March 17, 2023)</u>
21.1	<u>Subsidiaries of the Registrant (incorporated by reference to Exhibit 21.1 to our Current Report on Form 8-K filed with the SEC on December 31, 2019)</u>
31.1*	<u>Section 302 Certification under the Sarbanes-Oxley Act of 2002 of the Principal Executive Officer and Principal Financial Officer</u>
32.1*	<u>Section 906 Certification under the Sarbanes-Oxley Act of 2002 of the Principal Executive Officer and Principal Financial Officer</u>
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)

* Filed herewith

** Certain confidential information contained in this exhibit, marked by brackets, was omitted because it is both (i) not material and (ii) would likely cause competitive harm to the Company if publicly disclosed. “[***]” indicates where the information has been omitted from this exhibit

+ Management contract or compensatory plan or arrangement

(b) Financial Statement Schedules. Schedules have been omitted because the information required to be set out therein is not applicable or is shown in the financial statements or notes thereto.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

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

SCOUTCAM INC.

By: /s/ Yehu Ofer
Name: Yehu Ofer
Title: Chief Executive Officer
Date: March 28, 2023

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

Signature	Title	Date
<u>/s/ Yehu Ofer</u> Yehu Ofer	Chief Executive Officer (Principal Executive Officer)	March 28, 2023
<u>/s/ Tanya Yosef</u> Tanya Yosef	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 28, 2023
<u>/s/ Benad Goldwasser</u> Benad Goldwasser	Chairman of the Board	March 28, 2023
<u>/s/ Shmuel Donnerstein</u> Shmuel Donnerstein	Director	March 28, 2023
<u>/s/ Ronen Rosenbloom</u> Ronen Rosenbloom	Director	March 28, 2023
<u>/s/ Lior Amit</u> Lior Amit	Director	March 28, 2023
<u>/s/ Mori Arkin</u> Mori Arkin	Director	March 28, 2023
<u>/s/ Inbal Kreiss</u> Inbal Kreiss	Director	March 28, 2023
<u>/s/ Zeev Vurembrand</u> Zeev Vurembrand	Director	March 28, 2023

SCOUTCAM INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Scoutcam Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Scoutcam Inc. and its Subsidiary (the “Company”) as of December 31, 2022 and 2021, the related consolidated statements of operations, changes in shareholders’ equity and cash flows for each of the two years in the period ended December 31, 2022, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting 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.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Stock-Based Compensation to Employees, Directors and Service Providers – Stock Options — Refer to Notes 2i and 9b to the consolidated financial statements

Critical Audit Matter Description

The Company issues various types of equity awards, including stock options. During the year ended December 31, 2022, the Company recorded stock options related compensation expense of \$1.49 million. The Company estimated the fair value of these stock options granted using the Black-Scholes option pricing model. The Black-Scholes option-pricing model required management to make a number of assumptions, of which the most significant are the stock price volatility and the expected option term.

Auditing the Company’s accounting of stock-based options required auditor judgment due to the subjectivity of assumptions used to estimate the fair value of stock-based options granted.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the stock-based compensation included the following, among others:

- We assessed the accuracy and completeness of the awards granted during the year by reading the relevant Board of Directors minutes and grant documents.
- We evaluated the appropriateness of the valuation method used for the stock option grants and whether the method used for determining fair value was applied consistently with the valuation of similar grants in prior periods.
- We evaluated the significant assumptions used by management to calculate the fair value of stock options granted. Such evaluation included independent calculation of the expected volatility.
- We developed an independent estimate of the fair value for all the grants during the year and compared our estimate of fair value to the fair value used by management.

/s/ Brightman Almagor Zohar & Co.
Certified Public Accountants
A Firm in the Deloitte Global Network

Tel Aviv, Israel
March 28, 2023

We have served as the Company’s auditor since 2020.

SCOUTCAM INC.
CONSOLIDATED BALANCE SHEETS

		December 31,	
		2022	2021
		USD in thousands	
Assets	Note		
CURRENT ASSETS:			
Cash and cash equivalents		10,099	8,581
Short terms deposits	3	3,047	11,013
Accounts receivable		60	8
Inventory	4	630	167
Other current assets		281	443
Total current assets		14,117	20,212
NON-CURRENT ASSETS:			
Contract fulfillment assets	10	1,495	1,675
Property and equipment, net	5	648	781
Operating lease right-of-use assets	11	307	482
Severance pay asset		328	396
Total non-current assets		2,778	3,334
TOTAL ASSETS		16,895	23,546
Liabilities and shareholders' equity			
CURRENT LIABILITIES:			
Accounts payable		297	103
Contract liabilities - short term	10	1,426	346
Operating lease liabilities - short term	11	199	256
Accrued compensation expenses		365	355
Related parties	8	58	39
Other accrued expenses	6	214	210
Total current liabilities		2,559	1,309
NON-CURRENT LIABILITIES:			
Contract liabilities - long term	10	2,218	2,074
Operating lease liabilities - long term	11	64	203
Liability for severance pay		268	344
Total non-current liabilities		2,550	2,621
TOTAL LIABILITIES		5,109	3,930
SHAREHOLDERS' EQUITY:			
Common stock, \$0.001 par value; 300,000,000 shares authorized as of December 31, 2022 and December 31, 2021, 7,121,737 shares issued and outstanding as of December 31, 2022 and December 31, 2021	9	7	7
Additional paid-in capital		36,541	34,903
Accumulated deficit		(24,762)	(15,294)
TOTAL SHAREHOLDERS' EQUITY		11,786	19,616
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		16,895	23,546

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

SCOUTCAM INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Note	Year ended December 31,	
		2022	2021
		USD in thousands (except per share data)	
REVENUES	10	665	387
COST OF REVENUES		1,631	1,108
GROSS LOSS		(966)	(721)
RESEARCH AND DEVELOPMENT EXPENSES	12	4,197	2,002
SALES AND MARKETING EXPENSES		699	908
GENERAL AND ADMINISTRATIVE EXPENSES	13	3,577	5,481
OPERATING LOSS		(9,439)	(9,112)
OTHER INCOME		30	8
FINANCING INCOME (EXPENSES), NET		(59)	117
LOSS BEFORE TAXES ON INCOME		(9,468)	(8,987)
TAXES ON INCOME		-	-
NET LOSS		(9,468)	(8,987)
Net loss per share (basic and diluted, in USD)		(1.33)	(1.44)
Weighted average common shares (basic and diluted, in thousands)		7,122	6,240

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

SCOUTCAM INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Common stock		Additional paid-in capital	Accumulated deficit	Total Shareholders' equity
	Number in thousands	Amount	USD in thousands		
Balance at January 1, 2022	7,122	\$ 7	\$ 34,903	\$ (15,294)	\$ 19,616
Stock based compensation (see note 9)	-	-	1,638	-	1,638
Net loss	-	-	-	(9,468)	(9,468)
Balance at December 31, 2022	<u>7,122</u>	<u>\$ 7</u>	<u>\$ 36,541</u>	<u>\$ (24,762)</u>	<u>\$ 11,786</u>

	Common stock		Additional paid-in capital	Accumulated deficit	Total Shareholders' equity
	Number in thousands	Amount	USD in thousands		
Balance at January 1, 2021	4,084	\$ 4	\$ 10,267	\$ (6,307)	\$ 3,964
Issuance of shares and warrants (see note 9)	2,469	2	19,116	-	19,118
Exercise of warrants (see note 9)	568	1	3,490	-	3,491
Stock based compensation (see note 9)	-	-	2,030	-	2,030
Round up of shares due to reverse stock split (see note 9)	1	*	*	-	*
Net loss	-	-	-	(8,987)	(8,987)
Balance at December 31, 2021	<u>7,122</u>	<u>\$ 7</u>	<u>\$ 34,903</u>	<u>\$ (15,294)</u>	<u>\$ 19,616</u>

* Represents an amount less than \$1 thousand

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

SCOUTCAM INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2022	2021
	USD in thousands	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	(9,468)	(8,987)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	251	114
Stock based compensation	1,638	2,030
Profit (loss) from exchange differences on cash and cash equivalents	269	(130)
Profit from exchange differences from operating lease liabilities	(49)	-
Severance pay asset and liability	(8)	(25)
Interest income in respect of deposits	(34)	(13)
CHANGES IN OPERATING ASSET AND LIABILITY:		
Decrease (increase) in accounts receivable	(52)	9
Decrease (increase) in inventory	(463)	77
Increase (decrease) in operating lease liability	(233)	20
Decrease (increase) in ROU asset	261	(43)
Decrease (increase) in other current assets	162	(126)
Increase in account payables	194	24
Increase (decrease) in contract fulfillment assets	180	(545)
Increase in contract liabilities	1,224	1,572
Increase (decrease) in accrued compensation expenses	10	(14)
Increase in related parties	19	86
Increase in other accrued expenses	4	65
Net cash flows used in operating activities	(6,095)	(5,886)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(118)	(595)
Withdrawal of short terms deposits	14,500	-
Investment in short terms deposits	(6,500)	(11,000)
Net cash flows provided by (used in) investing activities	7,882	(11,595)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of shares and warrants	-	19,118
Proceeds from exercise of warrants	-	3,491
Issuance expenses	-	(50)
Net cash flows provided by financing activities	-	22,559
INCREASE IN CASH AND CASH EQUIVALENTS	1,787	5,078
BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	8,581	3,373
PROFITS FROM EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS	(269)	130
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF YEAR	10,099	8,581

Non cash activities -

	Year ended December 31,	
	2022	2021
	USD in thousands	
Right-of-use assets obtained in exchange for operating lease liabilities	155	524
Increase in property and equipment through a decrease in advances to suppliers	-	31

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

SCOUTCAM INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – GENERAL:

- a. ScoutCam Inc. (the “Company”), formerly known as Intellisense Solutions Inc., (“Intellisense”), was incorporated under the laws of the State of Nevada on March 22, 2013. Prior to the closing of the Exchange Agreement (as defined below), the Company was a non-operating “shell company”.

The Company’s wholly-owned subsidiary, ScoutCam Ltd. (“ScoutCam”), was formed in the State of Israel on January 3, 2019, as a wholly-owned subsidiary of Medigus Ltd. (“Medigus”), an Israeli company traded on the Nasdaq Capital Market, and commenced operations on March 1, 2019.

In December 2019, Medigus and ScoutCam consummated an asset transfer agreement, under which Medigus transferred and assigned certain assets and intellectual property rights related to its miniaturized imaging business to ScoutCam.

On December 30, 2019, Intellisense and Medigus consummated a securities exchange agreement (the “Exchange Agreement”), pursuant to which Medigus delivered 100% of its holdings in ScoutCam to Intellisense in exchange for shares of Intellisense’s common stock representing 60% of the issued and outstanding share capital of Intellisense immediately upon the consummation of the Exchange Agreement.

As of December 31, 2022, Medigus beneficially owned 27.02% of the Company’s outstanding common stock.

The Company, through ScoutCam, is engaged in the development, production and marketing of innovative Predictive Maintenance (PdM) and Condition Based Monitoring (CBM) technologies, providing visual sensing and AI-based video analytics solutions for critical systems in the aviation, maritime, industrial non-destructing-testing industries, transportation, and energy industries. Some of the Company’s products utilize our micro visualization technology in medical devices for complex and minimally invasive medical procedures. Company’s technology includes proven video technologies and products amalgamated into a first-of-its-kind, FDA-cleared minimally invasive surgical device. The Company’s video-based sensors, embedded software and AI algorithms are being deployed in hard-to-reach locations and harsh environments across a variety of PdM and CBM use cases. The Company’s solution allows maintenance and operations teams visibility into areas which are inaccessible under normal circumstances, or where the operating ambience otherwise is not suitable for continuous real-time monitoring’ and has various applications which have relevancy in wide range of industry segments, that utilize complicated mechanics requiring ongoing monitoring and predictive maintenance applications.

SCOUTCAM INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – GENERAL (continued):

- b.** On August 9, 2021, the Company amended its Articles of Incorporation to effect a nine-to-one reverse stock split of its outstanding Common Stock.

As a result of the reverse stock split, every nine shares of the Company's outstanding Common Stock were combined and reclassified into one share of the Company's Common Stock. No fractional shares were issued in connection with or following the reverse split. The amount of authorized capital of the Company's Common Stock and par value of such shares remained unchanged.

All share, stock option and per share information in these consolidated financial statements have been adjusted to reflect the reverse stock split on a retroactive basis.

- c.** Since incorporation of ScoutCam and through December 31, 2022, the Company accumulated a deficit of approximately \$25 million and its activities have been funded mainly by its shareholders. The Company's management believes the Company' cash and cash resources as of December 31, 2022 as well as its proceeds from issuance of common stock and warrants in the private offering as detailed in Note 14, will allow the Company to fund its operating plan through at least the next 12 months. However, the Company expects to continue to incur significant research and development and other costs related to its ongoing operations and in order to continue its future operations, the Company will need to obtain additional funding until becoming profitable.

SCOUTCAM INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES:

a. Basis of preparation:

The consolidated financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles in the United States (“U.S. GAAP”) applied on a consistent basis.

b. Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The Company evaluates its assumptions on an ongoing basis, including those related to contingencies and inventory impairment, as well as estimates used in applying its revenue recognition policy. Actual results may differ from these estimates.

c. Functional currency

A majority of ScoutCam’s revenues are generated in U.S. dollars. The substantial majority of ScoutCam costs are incurred in U.S. dollars and New Israeli Shekels (“NIS”). ScoutCam management believes that the U.S. dollar is the currency of the primary economic environment in which ScoutCam operates. Thus, the functional currency of ScoutCam is the U.S. dollar.

Transactions and balances originally denominated in U.S. dollars are presented at their original amounts. Balances in non-U.S. dollar currencies are translated into U.S. dollars using historical and current exchange rates for non-monetary and monetary balances, respectively. For non-U.S. dollar transactions and other items in the statements of operations (indicated below), the following exchange rates are used: (i) for transactions exchange rates at transaction dates and (ii) for other items (derived from non-monetary balance sheet items such as depreciation and amortization) historical exchange rates. Currency transaction gains and losses are presented in financial income or expenses, as appropriate.

d. Cash and Cash Equivalents

The Company considers as cash equivalents all short-term, highly liquid investments, which include short-term bank deposits with original maturities of three months or less from the date of purchase that are not restricted as to withdrawal or use and are readily convertible to known amounts of cash.

e. Short-term bank deposits

Bank deposits with maturities of more than three months but less than one year are included in short-term bank deposits. Such short-term bank deposits are stated at cost which approximates fair market value.

SCOUTCAM INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

f. Accounts receivable

Accounts receivable are presented in the Company's consolidated balance sheets net of allowance for doubtful accounts. The Company estimates the collectability of its accounts receivable balances and adjusts its allowance for doubtful accounts accordingly.

When revenue recognition criteria are not met for a sale transaction that has been billed, the Company does not recognize deferred revenues or the related account receivable.

As of December 31, 2022 and 2021, no allowance for doubtful accounts was recorded.

g. Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation is calculated on a straight-line basis over the estimated useful lives.

The annual depreciation rates are as follows:

	%
Machinery and laboratory equipment	10%-15%
Office furniture and equipment	10%
Computers and computer software	33%
Leasehold improvements	Over the shorter of the lease term (including options if any) or useful life

h. Severance pay

Israeli labor law generally requires payment of severance pay upon dismissal of an employee or upon termination of employment in certain other circumstances. Pursuant to Section 14 of the Severance Compensation Act, 1963 ("Section 14"), all of the ScoutCam's employees in Israel are entitled to a monthly contribution, at a rate of 8.33% of their monthly salary, made in their name with insurance companies. Contributions under Section 14 relieve ScoutCam from any future severance payment obligation with respect to those employees. The aforementioned contributions are not recorded as an asset on the Company's balance sheet and there is no liability recorded, as the Company does not have a future obligation to make any additional payments.

The asset and the liability for severance pay presented in the balance sheets reflects employees that began employment prior to automatic application of Section 14.

The severance pay liability of ScoutCam to its employees that began employment prior to automatic application of Section 14 is based upon the number of years of service and the latest monthly salary of such employees and is partly covered by regular deposits with recognized pension funds and deposits with severance pay funds. Under labor laws, these deposits are in the employees' names and, subject to certain limitations, are the property of the employees. ScoutCam records the obligation as if it were payable at each balance sheet date on an undiscounted basis.

SCOUTCAM INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

i. Stock-Based Compensation

The Company measures and recognizes compensation expense for its equity classified stock-based awards granted under its plan based on estimated fair values on the grant dates. The Company calculates the estimated fair value of option awards on the grant date using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model requires a number of assumptions, of which the most significant are the stock price volatility and the expected option term. The Company's expected dividend rate is zero since the Company does not currently pay cash dividends on its stocks and does not anticipate doing so in the foreseeable future. Each of the above factors requires the Company to use judgment and make estimates in determining the percentages and time periods used for the calculation. If the Company were to use different percentages or time periods, the estimated fair value of option awards could be materially different. The Company recognizes stock-based compensation cost for option awards on an accelerated basis over the employee's requisite service period, net of estimated forfeitures.

j. Inventories

Inventories include raw materials, inventory in process and finished products and are valued at the lower of cost or net realizable value.

Inventories are stated at a lower of cost, determined by the first-in, first-out method, or market based on net realizable value. Costs of purchased raw materials and inventory in process include costs of design, raw materials, direct labor, other direct costs and fixed production overheads.

The inventories are adjusted for estimated excess and obsolescence and written down to net realizable value based upon estimates of future demand, technology developments and market conditions.

k. Revenue recognition

a) Revenue measurement

The Company's revenues are measured according to the ASC 606, "Revenue from Contracts with Customers" ("ASC 606"). Under ASC 606, revenues are measured according to the amount of consideration that the Company expects to be entitled to receive in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. Revenues are presented net of VAT.

b) Revenue recognition

The Company recognizes revenue when a customer obtains control over promised goods or services. For each performance obligation, the Company determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time.

Performance obligations are satisfied over time if one of the following criteria is met:

SCOUTCAM INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

(a) the customer simultaneously receives and consumes the benefits provided by the Company's performance; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use for the Company and the Company has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, a Company satisfies the performance obligation at a point in time.

The transaction price is allocated to each distinct performance obligations on a relative standalone selling price ("SSP") basis and revenue is recognized for each performance obligation when control has passed. In most cases, the Company is able to establish SSP based on the observable prices of services sold separately in comparable circumstances to similar customers and for products based on the Company's best estimates of the price at which the Company would have sold the product regularly on a stand-alone basis. The Company reassesses the SSP on a periodic basis or when facts and circumstances change.

Product Revenue

Revenues from product sales are recognized at a point in time when the customer obtains control of the Company's product, typically upon shipment to the customer. Indirect taxes collected from customers relating to product sales and remitted to governmental authorities are excluded from revenues.

Service Revenue

The Company also generates revenues from development services. Revenue from development services is recognized over the period of the applicable service contract. To the extent development services are not distinct from the performance obligation relating to the subsequent mass production phase of the prototype under development, revenue from these services is deferred until commencement of the production phase of the project and are then recognized over the expected term production.

SCOUTCAM INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

l. Cost of revenues

Cost of revenue consists of products purchased from sub-contractors, raw materials for in-house assembly line, shipping and handling costs to customers, salary, employee-related expenses, depreciation and overhead expenses.

Cost of revenues are expensed commensurate with the recognition of the respective revenues. Costs deferred in respect of deferral of revenues are recorded as contract fulfilment assets on the Company's balance sheet and are written down to the extent the contract is expected to incur losses.

m. Research and development costs

Research and development costs are expensed as incurred and includes salaries and employee-related expenses, overhead expenses, material, and third-party contractors' charges.

n. Income taxes

Income taxes are accounted for using the asset and liability approach under ASC-740, "Income Taxes". The asset and liability approach requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in the Company's financial statements or tax returns.

The measurement of current and deferred tax liabilities and assets is based on provisions of the relevant tax law. The measurement of deferred tax assets is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realized.

Uncertain tax positions are accounted for in accordance with the provisions of ASC 740-10, under which a company may recognize the tax benefit from an uncertain tax position claimed or expected to be claimed on a tax return only if it is more likely than not that the tax position will be sustained on examination by the taxation authorities, based on the technical merits of the position, at the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. Interest and penalties, if any, related to unrecognized tax benefits are recognized in tax expense. The Company and ScoutCam provide a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value.

o. Legal contingencies

From time to time, the Company and its subsidiary become involved in legal proceedings or are subject to claims arising in their ordinary course of business. Such matters are generally subject to many uncertainties and outcomes are not predictable with assurance. The Company accrues for contingencies when the loss is probable and can reasonably estimate the amount of any such loss.

SCOUTCAM INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES (continued):

p. Basic and diluted net loss per common stock:

Basic net loss per common stock is computed by dividing net loss, as adjusted, to include the weighted average number of shares of common stock outstanding during the year.

Diluted net loss per common stock is computed by dividing net loss, as adjusted, by the weighted average number of shares of common stock outstanding during the year, plus the number of shares of common stock that would have been outstanding if all potentially dilutive shares of common stock had been issued, using the treasury stock method, in accordance with ASC 260-10 "Earnings per Share".

All outstanding stock options and warrants have been excluded from the calculation of the diluted loss per share for the years ended December 31, 2022 and December 31, 2021, since all such securities have an anti-dilutive effect.

q. Leases

In accordance with ASC 842, the Company determines whether an arrangement is or contains a lease based on the facts and circumstances present at inception of an arrangement. An arrangement is or contains a lease if the arrangement conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Arrangements that are determined to be leases at inception are recognized in long-term right-of-use assets ("ROU") assets and short and long-term lease liabilities in the consolidated balance sheet at lease commencement. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future fixed lease payments over the lease term at commencement date. As most of the Company's leases do not provide an implicit rate, the Company applies its incremental borrowing rate based on the economic environment at commencement date in determining the present value of future payments. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for operating leases or payments are recognized on a straight-line basis over the lease term.

The Company has elected not to recognize on the balance sheet leases with terms of 12 months or less.

SCOUTCAM INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - SHORT-TERM DEPOSITS

Short term investments as of December 31, 2022 include bank deposit bearing annual interest rates of 4%, with maturities of up to 12 months.

NOTE 4 - INVENTORY:

	December 31,	
	2022	2021
	USD in thousands	
Raw materials and supplies	438	99
Work in progress	148	2
Finished goods	44	66
	<u>630</u>	<u>167</u>

During the years 2022 and 2021, no impairment occurred.

NOTE 5 - PROPERTY AND EQUIPMENT, NET:

Property, plant and equipment, net consisted of the following:

	December 31,	
	2022	2021
	USD in thousands	
Cost:		
Machinery and laboratory equipment	619	578
Leasehold improvements, office furniture and equipment	351	316
Computers and computer software	182	140
	<u>1,152</u>	<u>1,034</u>
Less: accumulated depreciation	(504)	(253)
Total property and equipment, net	<u>648</u>	<u>781</u>

Depreciation expenses were \$251 thousand and \$114 thousand for the years ended December 31, 2022 and 2021, respectively.

SCOUTCAM INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 – OTHER ACCRUED EXPENSES:

	December 31,	
	2022	2021
	USD in thousands	
Internal Revenue Services	-	40
Accrued expenses	214	170
	<u>214</u>	<u>210</u>

NOTE 7 - INCOME TAXES:

a. Basis of taxation

1. Tax rates applicable to the income of the Israeli subsidiary:

ScoutCam is taxed according to Israeli tax laws.

The Israeli corporate tax rate from the year 2018 and onwards is 23%.

2. Tax rates applicable to the income of the U.S. company:

The Company is taxed according to U.S. tax laws.

The U.S. corporate tax rate from the year 2018 and onwards is 21%.

b. Deferred income taxes:

Deferred income 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,	
	2022	2021
	USD in thousands	
Operating loss carryforward	26,295	15,582
Net deferred tax asset before valuation allowance	6,069	3,595
Valuation allowance	(6,069)	(3,595)
Net deferred tax	<u>-</u>	<u>-</u>

As of December 31, 2022, the Company has provided a full valuation allowance of \$6,069 thousand in respect of deferred tax assets resulting from tax loss carryforward and other temporary differences. Management currently believes that because the Company has a history of losses, it is more likely than not that the deferred tax regarding the loss carryforward and other temporary differences will not be realized in the foreseeable future.

c. Available carryforward tax losses:

As of December 31, 2022, the Company has an accumulated tax loss carryforward of approximately \$26,295 thousand. Carryforward tax losses in Israel are of unlimited duration. Under the Tax Cut and Jobs Act of 2017, or the Tax Act (subject to modifications under the Coronavirus Aid, Relief, and Economic Security Act), federal net operating losses (NOL) incurred in taxable years ending after December 31, 2017 and in future years may be carried forward indefinitely, but the deductibility of such federal net operating losses is limited. It is uncertain if and to what extent various states will conform to the newly enacted federal tax law.

In addition, under Section 382 of the Internal Revenue Code of 1986, as amended, and corresponding provisions of state law, if a corporation undergoes an "ownership change," which is generally defined as a greater than 50 percentage point change, by value, in its equity ownership over a three-year period, the corporation's ability to use its pre-change NOL carryforwards and other pre-change tax attributes to offset its post-change income or taxes may be limited. Such limitations may result in the expiration of net operating losses before utilization.

- d. The main reconciling item between the statutory tax rate of the Company and the effective tax rate is the recognition of valuation allowance in respect of deferred taxes relating to accumulated net operating losses carried forward due to the uncertainty of the realization of such deferred taxes.
- e. As of December 31, 2021, ScoutCam owed NIS 740 thousand, (approximately \$229 thousand) in additional taxes to the Israel Tax Authority following a VAT audit in Israel for 2019-2021.

On November 18, 2021, ScoutCam filed an appeal to the Israeli Tax Authority on the finding of the VAT audit.

Due to the uncertainty regarding the outcome of the appeal, the financial statements as of December 31, 2021 included a provision related to the additional taxes of \$229 thousand, which was included in general and administrative expenses in the statement of operation report.

In July 2022, ScoutCam reached an agreement with the Israeli Tax Authority, according to which the amount due in additional taxes was reduced to NIS 340 thousand (approximately \$100 thousand).

SCOUTCAM INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 – RELATED PARTIES:

a. Related Parties Balances:

	December 31,	
	2022	2021
	USD in thousands	
Directors (directors' accrued compensation)	48	-
Smartec R&D Ltd. (see note 8c)	10	-
Medigus	-	39
	<u>58</u>	<u>39</u>

- b. On May 18, 2020, the Company allocated in a private issuance to M. Arkin (1999) Ltd. ("Arkin") a total of 229,569 units (as described in note 9c) at a purchase price of \$8.712 per unit ("Arkin Transaction").

In connection with the Arkin Transaction, the Company, Medigus and Arkin entered into a voting agreement, pursuant to which Arkin and Medigus each agreed to vote their respective shares of common stock in favor of the election of the opposite party's designated representative(s), as applicable, to the Board ("Voting Agreement"). Each of Arkin's and Medigus' rights under the Voting Agreement are contingent upon, inter alia, such party maintaining a certain beneficial ownership threshold in the Company' as follows:

(a) One person designated by Arkin is to be elected, for as long as Arkin, continues to beneficially own at least eight percent of the issued and outstanding capital stock of the Company.

(b) Three persons designated by Medigus are to be elected, for as long as Medigus, continues to beneficially own at least thirty five percent of the issued and outstanding capital stock of the Company.

(c) Two persons designated by Medigus are to be elected for as long as Medigus, continues to beneficially own less than thirty five percent and more than twenty percent of the issued and outstanding capital stock of the Company.

(d) One person designated by Medigus is to be elected for as long as Medigus, continues to beneficially own less than twenty percent and more than eight percent of the issued and outstanding capital stock of the Company.

- c. During 2021 and 2022 the Company received development services from Smartec R&D Ltd., a company owned by the Company's CTO.

Total compensation for the fiscal years ended December 31, 2021 and December 31, 2022 was \$82 thousands and \$117 thousands, respectively.

- d. During 2021 the Company received financial consultant services from Anona De Finance Ltd., a company owned by one of the Company's directors.

Total expenses for the fiscal years ended December 31, 2021 was approximately \$37 thousands.

SCOUTCAM INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - EQUITY:

Increase of the authorized share capital

On January 20, 2021, the Company's Board of Directors approved an increase of the authorized share capital of the Company by an additional 225,000,000 shares of common stock par value \$0.001 per share, such that the authorized share capital of the Company following such increase shall be consisting of 300,000,000 shares of common stock.

a. Private placement:

1. In December 2019, the Company allocated in a private placement, a total of 379,269 units at a purchase price of \$8.712 per unit. Each unit was comprised of two shares of common stock par value \$0.001 per share, one Warrant A (as described below) and two Warrants B (as described below). The immediate proceeds (gross) from the issuance of the units amounted to approximately \$3.3 million.

Each Warrant A was exercisable into one share of common stock of the Company at an exercise price of \$5.355 per share during the 12 month period following the allocation. Each Warrant B is exercisable into one share of common stock of the Company at an exercise price of \$8.037 per share during the 18 month period following the allocation.

In addition, Shrem Zilberman Group Ltd. (the "Consultant") will be entitled to receive the amount representing 3% of any exercise price of each Warrant A or Warrant B that may be exercised in the future. In the event the total proceeds received as a result of exercise of warrants will be less than \$2 million at the time of their expiration, the Consultant will be required to invest \$250,000 in the Company in return for shares of common stock of Company. As of December 31, 2021, holders of the foregoing warrants have exercised in excess of \$2 million and, accordingly, the Consultant is not required to invest \$250,000 in the Company.

During 2020, 332,551 Warrants A were exercised, and 46,718 unexercised Warrants A expired on December 30, 2020.

The Consultant received \$53 thousand following the exercise of 332,551 Warrants A.

During the second quarter of 2021, 185,271 Warrants B were exercised, and 573,256 unexercised Warrants B expired on June 30, 2021.

The Consultant received \$45 thousand following the exercise of 185,271 Warrants B.

2. On March 3, 2020, the Company issued in a private placement a total of 108,880 units at a purchase price of \$8.712 per unit.

Each unit was comprised of two shares of common stock par value \$0.001 per share, one Warrant A (as described below) and two Warrants B (as described below).

Each Warrant A was exercisable into one share of common stock of the Company at an exercise price of \$5.355 per share during the 12 month period following the allocation.

Each Warrant B is exercisable into one share of common stock of the Company at an exercise price of \$8.037 per share during the 18 month period following the allocation.

The gross proceeds from the issuance of all securities offered amounted to approximately \$948 thousands. After deducting issuance costs, the Company received proceeds of approximately \$909 thousand.

SCOUTCAM INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 – EQUITY (continued):

During 2021, 108,880 Warrants A were exercised.

217,760 unexercised Warrants B expired on September 3, 2021.

3. On May 18, 2020, the Company allocated in a private placement to Arkin a total of 229,569 units at a purchase price of \$8.712 per unit.

Each unit was comprised of two shares of common stock par value \$0.001 per share, one Warrant A (as described below) and two Warrants B (as described below).

Each Warrant A was exercisable into one share of common stock of the Company at an exercise price of \$5.355 per share during the 18 month period following the allocation.

Each Warrant B is exercisable into one share of common stock of the Company at an exercise price of \$8.037 per share during the 24 month period following the allocation.

The gross proceeds from the issuance of all securities offered amounted to approximately \$2 million. After deducting issuance costs, the Company received proceeds of approximately \$1.9 million.

During February 2021, 37,349 Warrants A were exercised.

During November 2021, 192,220 Warrants A were exercised.

4. On June 23, 2020, (the “Conversion Date”), the Company entered into a side letter agreement with Medigus whereby the parties agreed to convert, at a conversion price of \$4.356 per share, an outstanding line of credit previously extended by Medigus to ScoutCam, which as of the Conversion Date had \$381,136 outstanding, into (a) 87,497 shares of the Company’s common stock, (b) to 43,749 Warrant A (as described below), and (c) 87,497 Warrant B (as described below). As the conversion price represented the same unit price as in the March 2020 and May 2020 private placements, no finance expenses have been recorded in statement of operations as a result of the conversion.

Each Warrant A is exercisable into one share of common stock of the Company at an exercise price of \$5.355 per share during the 12 months period following the allocation.

Each Warrant B is exercisable into one share of common stock of the Company at an exercise price of \$8.037 per share during the 18 months period following the allocation.

During June 2021, 43,749 Warrants A were exercised.

On December 23, 2021, 87,497 unexercised Warrants B expired.

5. On March 29, 2021, the Company issued to certain investors, including Arkin, a major stockholder of the Company, of which Mori Arkin, a director of the company, is the owner, 2,469,156 units in exchange for an aggregate purchase price of \$20 million. Each such unit consists of (i) one share of common stock and (ii) one warrant to purchase one share of common stock with an exercise price of \$10.35 per share. Each such warrant is exercisable until the close of business on March 31, 2026. Pursuant to the terms of the foregoing warrants, following April 1, 2024, if the closing price of Company common stock equal or exceeds 135% of the aforementioned exercise price (subject to appropriate adjustments for stock splits, stock dividends, stock combinations and other similar transactions after the issue date of the warrants) for any thirty (30) consecutive trading days, the Company may force the exercise of the warrants, in whole or in part, by delivering to these investors a notice of forced exercise.

SCOUTCAM INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 – EQUITY (continued):

As of December 31, 2022, the Company had the following outstanding warrants to purchase common stock:

Warrant	Issuance Date	Expiration Date	Exercise Price Per Share (\$)	Number of Shares of common stock Underlying Warrants
March 2021 Warrant	March 29, 2021	March 31, 2026	10.350	2,469,156
				2,469,156

b. Stock-based compensation to employees, directors and service providers:

In February 2020, the Company's Board of Directors approved the 2020 Share Incentive Plan (the "Plan").

The Plan initially included a pool of 580,890 shares of common stock for grant to Company employees, consultants, directors and other service providers. On March 15, 2020, the Company's Board of Directors approved an increase to the Company's option pool pursuant to the Plan by an additional 64,099 shares of common stock. On June 22, 2020, the Company's Board of Directors approved an increase to the Company's option pool pursuant to the Plan by an additional 401,950 shares of common stock. During the second quarter of 2021, the Company's Board of Directors approved an increase to the Company's option pool pursuant to the Plan by an additional 777,778 shares of common stock.

The Plan is designed to enable the Company to grant options to purchase shares of common stock and RSUs under various and different tax regimes including, without limitation: (i) pursuant and subject to Section 102 of the Israeli Tax Ordinance or any provision which may amend or replace it and any regulations, rules, orders or procedures promulgated thereunder and to designate them as either grants made through a trustee or not through a trustee; and (ii) pursuant and subject to Section 3 (i) of the Israeli Tax Ordinance.

During 2021, the Company granted 648,712 options pursuant to the Plan.

During 2022, the Company granted 479,000 options pursuant to the Plan.

Options granted generally have a contractual term of seven years and vest over a period of three to four years.

SCOUTCAM INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 – EQUITY (continued):

Stock Option Activity

The following summarizes stock option activity:

	Amount of options	Weighted average exercise price \$	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands) \$ in thousands
Outstanding - December 31, 2020	737,049	2.61	6.23	2,446
Granted	648,712	4.09	-	-
Forfeited	(132,207)	3.34	-	-
Outstanding - December 31, 2021	1,253,554	3.31	5.65	5,884
Granted	479,000	4.50	-	-
Forfeited	(172,514)	3.57	-	-
Outstanding - December 31, 2022	1,560,040	3.64	5.17	2,116
Options Exercisable - December 31, 2022	838,994	3.10	4.24	1,595

As of December 31, 2022, the aggregate intrinsic value of options granted is calculated as the difference between the exercise price and the closing price on the same date.

The Company estimates the fair value of stock option awards on the grant date using the Black-Scholes option pricing model. The weighted-average grant date fair value per option granted during the year ended December 31, 2022 was \$2.76. The fair value of each award is estimated using Black-Scholes option-pricing model based on the following assumptions:

	Year ended December 31, 2022	Year ended December 31, 2021
Underlying value of shares (\$)	5.00-7.20	7.65-10.35
Exercise price (\$)	4.5	2.61-7.2
Expected volatility (%)	40%	46%-49%
Term of the options (years)	7	7
Risk-free interest rate (%)	1.98%-3.95%	0.78%-1.51%

Volatility is derived from the historical volatility of publicly traded set of peer companies. The risk-free interest rates used in the Black-Scholes calculations are based on the prevailing U.S. Treasury yield as determined by the U.S. Federal Reserve. The Company has not paid dividends and does not anticipate paying dividends in the foreseeable future. Accordingly, no dividend yield was assumed for purposes of estimating the fair value of the Company's stock-based compensation. The weighted average expected life of options was estimated individually in respect of each grant.

The unrecognized compensation expense calculated under the fair-value method for stock options expected to vest as of December 31, 2022 is approximately \$1.45 million and is expected to be recognized over a weighted-average period of 1.41 years.

During 2022 and 2021 the Company's Board of Directors authorized the grant of options to purchase 45,000 shares of common stock of the Company and 83,334 shares of common stock of the Company, respectively, to Prof. Goldwasser, the Chairman of the Board. Total expenses recorded regarding this grant, for the year ended December 31, 2022, and December 31, 2021, are \$367 thousand and \$255 thousand, respectively.

During 2021 the Company's Board of Directors authorized the grant of options to purchase 75,855 shares of common stock of the Company to directors of the Company. Total expenses recorded regarding this grant, for the year ended December 31, 2022, and December 31, 2021, are \$213 thousand and \$221 thousand, respectively.

During 2022 and 2021 the Company's Board of Directors authorized the grant of options to purchase 400,000 shares of common stock of the Company and 335,987 shares of common stock of the Company, respectively, to certain officers of the Company. Total expenses recorded regarding this grant, for the year ended December 31, 2022, and December 31, 2021, are \$523 thousand and \$871 thousand, respectively.

Compensation expense recorded by the Company in respect of its stock-based employees, directors and service providers compensation awards in accordance with ASC 718-10 for the year ended December 31, 2022 and 2021 amounted to \$1,487 thousands and \$2,030 thousands, respectively.

c. Restricted stock unit (“RSU”) to employees and service providers:

During the year ended December 31, 2022, the Company granted 110,000 RSUs pursuant to the Plan.

Each RSU will vest based on continued service which is generally over three years. The grant date fair value of the award will be recognized as stock-based compensation expense over the requisite service period. The fair value of restricted stock units was estimated on the date of grant based on the fair value of the Company’s common stock.

The cost of the benefit embodied in the RSU granted during 2022, based on their fair value as at the grant date, is estimated to be approximately \$748 thousand. These amounts will be recognized in the statements of operations over the vesting period.

The following table summarizes RSU activity for December 31, 2022:

	Amount of RSU	Weighted Average Grant Date Fair Value per Share \$	Weighted Average Remaining Contractual Term (years)
Outstanding - December 31, 2021	-	-	-
Granted	110,000	6.8	-
Forfeited	(60,000)	7.2	-
Unvested and Outstanding - December 31, 2022	<u>50,000</u>	<u>6.32</u>	<u>6.44</u>

The unrecognized compensation expense calculated under the fair-value method for RSU expected to vest as of December 31, 2022 is approximately \$164 thousand and is expected to be recognized over a weighted-average period of 1.15 years.

During 2022 the Company’s Board of Directors authorized the grant of options to purchase 90,000 shares of common stock of the Company to certain officers of the Company. Total expenses recorded regarding this grant, for the year ended December 31, 2022, are \$127 thousand.

SCOUTCAM INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 – REVENUES AND ENTITY WIDE DISCLOSURES:

ASC 280, “Segment Reporting,” establishes standards for reporting information about operating segments. The Company manages its business based on one operating segment, as described in Note 1.

a. Disaggregation of revenue

	Year ended on December 31,	
	2022	2021
	USD in thousands	
Development Services (customer A) (*)	317	-
Products	348	387
	665	387

(*) During the second quarter of 2022, the Company completed the development of the product relating to a customer-specific project for a Fortune 500 multinational healthcare corporation (“Customer A”) and moved from the development phase of the project to its production phase. As a result, during the year ended December 31, 2022, the Company recognized development services revenues and related development costs that had been previously deferred, in the amounts of \$317 thousand and \$180 thousand, respectively. The amounts were recognized based on the expected manufacturing term of the product, which the Company estimates at 7 years.

In addition, following the commencement of the production phase, the Company recognized product revenues of \$221 thousands during the year ended December 31, 2022 from the sale of units of the product developed in the context of these development services.

b. Revenues by geographical area (based on the location of customers)

The following is a summary of revenues within geographic areas:

	Year ended on December 31,	
	2022	2021
	USD in thousands	
United States	553	273
United Kingdom	65	48
Israel	-	19
Other	47	47
	665	387

c. Major customers

Set forth below is a breakdown of Company’s revenue by major customers (major customer –revenues from these customers constituted at least 10% of total revenues in a certain year):

	Year ended on December 31,	
	2022	2021
	USD in thousands	
Customer A	538	-
Customer B	-	199
Customer C	65	48

d. **Contract fulfillment assets and Contract liabilities:**

	December 31,	
	2022	2021
	USD in thousands	
Contract fulfillment assets:	1,495	1,675
Contract liabilities	3,644	2,420

Contract liabilities include advance payments, which are primarily related to advanced billings for development services.

The change in contract fulfillment assets:

	December 31,	
	2022	2021
	USD in thousands	
Balance at beginning of year	1,675	1,130
Additions during the year	-	545
Contract costs recognized during the period	(180)	-
Balance at end of year	1,495	1,675

The change in contract liabilities:

	December 31,	
	2022	2021
	USD in thousands	
Balance at beginning of year	2,420	848
Deferred revenue relating to new sales	1,613	1,641
Revenue recognized during the year	(389)	(69)
Balance at end of year	3,644	2,420

Remaining Performance Obligations

Remaining Performance Obligations ("RPO") represents contracted revenue that has not yet been recognized, which includes deferred revenue and amounts that will be recognized as revenue in future periods. As of December 31, 2022, the total RPO amounted to \$3,644 thousand, which the Company expects to recognize over the expected manufacturing term of the product under development.

SCOUTCAM INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 - LEASES

On December 31, 2022, the Group's ROU assets and lease liabilities for operating leases totaled \$307 thousand and \$263 thousand, respectively.

On December 31, 2021, the Group's ROU assets and lease liabilities for operating leases totaled \$482 thousand and \$459 thousand, respectively.

In December 2020, ScoutCam entered into a lease agreement for office space in Omer, Israel. The agreement is for 36 months beginning January 1, 2021. In March 2021, ScoutCam entered into a lease agreement for additional office space in Omer, Israel. The agreement is until December 31, 2023. Monthly lease payments under the agreements are approximately \$12 thousand. ScoutCam subleases part of the office space to a third party for \$3 thousand per month.

In December 2022, ScoutCam entered into a lease agreement for office space in Ramat Gan, Israel. The agreement is for 12 months beginning on December 14, 2022. The agreement expires on December 14, 2023, and the Company has an option to extend the lease period for an additional one year. The Company doesn't expect to extend the lease period. Therefore, the Company has elected to use the practical expedient regarding short-term leases. Monthly lease payments under the agreements are \$3 thousand.

In addition, the Company leases vehicles under various operating lease agreements.

Operating lease expenses were \$264 thousand and \$202 thousand for the years ended December 31, 2022 and 2021, respectively.

Supplemental cash flow information related to operating leases during the period presented was as follows:

	Year ended December 31,	
	2022	2021
	USD in thousands	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	261	202

Lease term and discount rate related to operating leases as of the period presented were as follows:

	December 31,	
	2022	2021
	USD in thousands	
Weighted-average remaining lease term (in years)	0.84	0.76
Weighted-average discount rate	6%	6%

The maturities of lease liabilities under operating leases as of December 31, 2022 are as follows:

	USD in thousands
2023	206
2024	54
2025	16
Total undiscounted lease payments	276
Less: Imputed interest	(13)
Total lease liabilities	263

NOTE 12 – RESEARCH AND DEVELOPMENT EXPENSES:

	Year ended December 31,	
	2022	2021
	USD in thousands	
Salaries and related expense	2,034	894
Stock-based compensation	576	257
Materials and subcontractors	1,030	655
Depreciation	163	39
Travel expenses	73	-
Vehicle expenses	75	26
Rent and maintenance and other expenses	246	131
	4,197	2,002

NOTE 13 – GENERAL AND ADMINISTRATIVE EXPENSES:

	Year ended December 31,	
	2022	2021
	USD in thousands	
Salaries and related expense	1,027	1,144
Stock-based compensation	903	1,483
Professional services	859	1,193
Patents	292	798
Depreciation	34	29
Insurance	337	386
Vehicle expenses	73	99
Rent and maintenance and other expenses	181	120
VAT provision (note 7e)	(129)	229
	3,577	5,481

NOTE 14 - SUBSEQUENT EVENTS:

On March 16, 2023, the Company consummated Stock Purchase Agreements for a private placement with (i) Moshe Arkin through his individual retirement account and (ii) The Phoenix Insurance Company Ltd. and Shotfut Menayot Israel – Phoenix Amitim, in connection with the sale and issuance of an aggregate amount of 3,294,117 units (collectively, the “Units”), at a purchase price of \$4.25 per Unit, and for an aggregate purchase price of \$14,000,000. Each Unit consists of: (i) one share of the Company’s common stock par value \$0.001 per share (the “Common Stock”) and (ii) one warrant to purchase one share of Common Stock with an exercise price of \$5.50 (the “Warrants”). The Warrants are immediately exercisable and will expire three years from the date of issuance and will be subject to customary adjustments.

**BYLAWS
OF
SCOUTCAM INC.**

(effective as of July 27, 2021)

ARTICLE I

Meetings of Stockholders and Stockholder Matters

SECTION 1. Annual Meeting. An annual meeting of the stockholders of ScoutCam Inc., a Nevada corporation (hereinafter, the "Corporation") for the election of directors to succeed only those whose terms expire in such year (the "Applicable Class") and for the transaction of such other proper business as may properly come before the meeting shall be held at such time, date and place, either within or without the State of Nevada, as shall be designated by resolution of the Board of Directors. The Board of Directors may, in its sole discretion, determine that the meeting shall not be held at any place, but instead shall be held solely by means of remote communication as provided under the Nevada Revised Statutes (as amended from time to time, the "NRS").

SECTION 2. Special Meetings. Special meetings of stockholders for any purpose or purposes may be called by the Board of Directors acting pursuant to a resolution approved by the affirmative vote of a majority of the Directors then in office. Only those matters set forth in the notice of the special meeting may be considered or acted upon at a special meeting of stockholders of the Corporation. No other person(s) may call a meeting of the stockholders. The Board of Directors may, in its sole discretion, determine that the meeting shall not be held at any place, but instead shall be held solely by means of remote communication as provided under the NRS.

SECTION 3. Notice of Meetings. Written notice of each meeting of the stockholders, which shall state the time, date and place of the meeting and in the case of a special meeting, the purpose or purposes for which it is called, shall, unless otherwise provided by applicable law, the Articles of Incorporation or these bylaws, be given not less than ten (10) nor more than sixty (60) days before the date of such meeting to each stockholder entitled to vote at such meeting, and, if mailed, it shall be deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the Corporation. Whenever notice is required to be given, a written waiver thereof signed by the person entitled thereto, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

SECTION 4. Adjournments. Any meeting of the stockholders may adjourn from time to time to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At any such adjourned meeting at which a quorum may be present, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

SECTION 5. Quorum. Except as otherwise provided by Nevada law, the Articles of Incorporation or these bylaws, the holders of at least 33 1/3 percent of the voting power of all classes and series of stock entitled to vote at the meeting, present in person or by proxy, regardless of whether the proxy has authority to vote on all matters, will constitute a quorum at all meetings of the stockholders for the transaction of business. In the absence of a quorum, the holders of a majority of the shares present in person or represented by proxy and entitled to vote may adjourn the meeting from time to time in the manner described in Section 4 of this Article I.

SECTION 6. Organization. At each meeting of the stockholders, the Chairman of the Board, or in his or her absence or inability to act, the Chief Executive Officer or, in his or her absence, the President or, in his absence or inability to act, a Vice President or, in the absence or inability to act of such persons, any person designated by the Board of Directors, shall act as chairman of the meeting. The Secretary or, in his or her absence or inability to act, any person appointed by the chairman of the meeting shall act as secretary of the meeting and keep the minutes thereof. The chairman of any meeting of the stockholders shall determine the order of business and the procedures at the meeting, including such regulation of the manner of voting and the conduct of discussion as he or she deems to be appropriate. The chairman of any meeting of the stockholders shall have the power to adjourn the meeting to another place, if any, date and time. The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting.

SECTION 7. Notice of Stockholder Business and Nominations.

A. Annual Meetings of Stockholders.

Nominations of persons for election to the Applicable Class of Board of Directors and the proposal of business to be considered by the stockholders may be made at an annual meeting of the stockholders (a) pursuant to the Corporation's notice of meeting or proxy materials with respect to such meeting, (b) by or at the direction of the Board of Directors or (c) by any stockholder of the Corporation who was a stockholder of record at the time of giving of notice thereof who is entitled to vote at the meeting, who has held continuously at least five percent (5%) or more of the outstanding shares of the Corporation's common stock for at least one year prior to the date the Corporation receives the written notice and who complies with the notice procedures set forth in this paragraph C of Section 7.

B. Special Meetings of Stockholders.

Only such business, as was presented before the meeting in accordance to Section 2 above, shall be conducted at a special meeting of stockholders. The notice of such special meeting shall include the purpose for which the meeting is called. Nominations of candidates for election to the Applicable Class of Board of Directors may be made at a special meeting of the stockholders. Directors may be elected only by or at the direction of the Board of Directors.

C. Certain Matters Pertaining to Stockholder Business and Nominations.

(1) For nominations or other business to be properly brought by a stockholder before an annual meeting pursuant to clause (c) of paragraph A of this Section 7 or a special meeting pursuant to paragraph B of this Section 7, (1.) the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation, (2.) such other business must otherwise be a proper matter for stockholder action under the NRS, (3.) if the stockholder, or the beneficial owner on whose behalf any such proposal or nomination is made, has provided the Corporation with a Solicitation Notice, as that term is defined in this paragraph C, such stockholder or beneficial owner must, in the case of a proposal, have delivered a proxy statement and form of proxy to holders of a sufficient percentage of the Corporation's voting shares required by law to carry any such proposal, or, in the case of a nomination or nominations, have delivered a proxy statement and form of proxy to holders of a percentage of the Corporation's voting shares reasonably believed by such stockholder or beneficial holder to be sufficient to elect the nominee or nominees proposed to be nominated by such stockholder, and must, in either case, have included in such materials the Solicitation Notice, and (4.) if no Solicitation Notice relating thereto has been timely provided pursuant to paragraph C of this Section 6, the stockholder or beneficial owner proposing such business or nomination must not have solicited a number of proxies sufficient to have required the delivery of such a Solicitation Notice under this Section.

To be timely, a stockholder's notice pertaining to an annual meeting shall be delivered to the Secretary at the principal executive office of the Corporation not less than ninety (90) or more than one-hundred and twenty (120) days prior to the first anniversary (the "Anniversary") of the date of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than thirty (30) days before or more than thirty (30) days after the Anniversary, to be timely, notice by the stockholder must be so delivered not earlier than the close of business (at the principal executive office of the Corporation) on the one-hundred and twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of (i) the ninetieth (90th) day prior to such annual meeting or (ii) the close of business on the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Corporation. Such stockholder's notice for an annual meeting or a special meeting shall set forth:

(a) as to each person whom the stockholder proposes to nominate for election or reelection as a director of the Corporation in accordance with the terms of these Bylaws:

(i) all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case, pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director, if elected);

(ii) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three (3) years, and any other material relationships, between or among such stockholder, the beneficial owner, if any, on whose behalf any such proposal or nomination is being made, and their respective affiliates and associates, on the one hand, and each proposed nominee, and his or her respective affiliates and associates, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Item 404 of Regulation S-K promulgated under the Securities Act of 1933, as amended, if such stockholder, such beneficial owner, or any affiliate or associate thereof, were the "registrant" for purposes of such rule and the nominee were a director or executive officer of such registrant;

(iii) to the extent known by the stockholder, the name and address of any other securityholder of the Corporation who owns, beneficially or of record, any securities of the Corporation and who supports any nominee proposed by such stockholder; and

(iv) the questionnaire and the representation and agreement, completed and signed by such person, as required by paragraph D of this Section 7;

(b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, including the text of any resolutions proposed for consideration, the reasons for conducting such business at the meeting, any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made, and to the extent known by the stockholder, the name and address of any other securityholder of the Corporation who owns, beneficially or of record, any securities of the Corporation and who supports any matter such stockholder intends to propose; and

(c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made:

(i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner;

(ii) (A) the class or series and number of shares of the Corporation's capital stock which are, directly or indirectly, owned beneficially and of record by such stockholder and such beneficial owner, (B) any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of the shares of the Corporation's capital stock or with a value derived in whole or in part from the value of any class or series of the shares of the Corporation's capital stock, whether or not such instrument or right shall be subject to settlement in the underlying class or series of the shares of capital stock of the Corporation (a "Derivative Instrument") directly or indirectly owned beneficially by such stockholder and such beneficial owner as well as any other direct or indirect opportunity for such stockholder and such beneficial owner to profit or share in any profit derived from any increase or decrease in the value of shares of the Corporation, (C) any proxy, contract, arrangement, understanding, or relationship pursuant to which such stockholder has a right to vote any shares of any security of the Corporation, (D) any short interest in any security of the Corporation (for purposes of these Bylaws, a person shall be deemed to have a short interest in a security if such person directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has the opportunity to profit or share in any profit derived from any decrease in the value of the subject security), (E) any rights to dividends on the shares of the Corporation owned beneficially by such stockholder that are separated or separable from the underlying shares of the Corporation, (F) any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such stockholder or beneficial owner (i) is a general partner or, (ii) directly or indirectly, beneficially owns an interest in such general partner, and (G) any performance-related fees (other than an asset-based fee) that such stockholder or beneficial owner is entitled to on any increase or decrease in the value of shares of the Corporation or Derivative Instruments as of the date of such notice, including, without limitation, any such interests held by members of such stockholder or beneficial owner's immediate family sharing the same household (which information shall be supplemented by such stockholder and beneficial owner not later than ten (10) days after the record date for the meeting to disclose such ownership as of the record date; provided, however, that if such date is after the date of the meeting, not later than the day prior to the meeting);

(iii) any other information relating to such stockholder and beneficial owner, if any, that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of directors in a contested election pursuant to Regulation 14A under the Exchange Act and the rules and regulations promulgated thereunder;

(iv) a description of all agreements, arrangements and understandings between such stockholder and beneficial owner, if any, and any other person or persons (including their names) in connection with the proposal of such business by such stockholder; and

(v) a statement of whether or not either such stockholder or beneficial owner intends to deliver a proxy statement and form of proxy, in the case of a proposal, to holders of a sufficient percentage of the Corporation's voting shares required by law to carry the proposal or, in the case of a nomination or nominations, to holders of a sufficient percentage of the Corporation's voting shares to elect such nominee or nominees (an affirmative statement of such intent, a "Solicitation Notice").

(2) In the event the Corporation calls a special meeting of the stockholders for the purpose of electing one or more directors of an Applicable Class to the Board of Directors, any such stockholder who has held continuously at least five percent (5%) or more of the outstanding shares of the Corporation's common stock for at least one year prior to the date the Corporation, may nominate a person or persons (as the case may be), for election to such directorship(s) as specified in the Corporation's notice of meeting, provided, however, that the stockholder's notice required by paragraph C(1) of this Section 7 is delivered to the Secretary at the principal executive office of the Corporation not earlier than the ninetieth (90th) day prior to such special meeting nor later than the close of business on the later of (i) the sixtieth (60th) day prior to such special meeting, or (ii) the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting.

D. General.

(1) Only such persons who are nominated in accordance with the procedures set forth in this Section 7 shall be eligible to serve as directors of the Corporation and only such business brought before a meeting of the stockholders in accordance with the procedures set forth in this Section 7 shall be conducted at such meeting. Except as otherwise provided by law, the Restated Articles of Incorporation or these Bylaws, the chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in these Bylaws and, if any proposed nomination or business is not in compliance herewith, to declare that such defective proposal or nomination shall be disregarded.

(2) For purposes of this Section 7, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Section 7, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth herein. Nothing in this Section 7 shall be deemed to affect any rights (i) of the stockholders of the Corporation to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (ii) of the holders of any series of Preferred Stock then outstanding to elect directors under specified circumstances.

(4) In addition to the requirements set forth elsewhere in these Bylaws, to be eligible to be a nominee for election or reelection as a director of the Corporation, a person must deliver, in accordance with the time periods prescribed for delivery of notice under Section 7(C) of this Article I, to the Secretary at the principal executive office of the Corporation a completed and signed questionnaire with respect to the background and qualification of such person and the background of any other person or entity on whose behalf the nomination is being made (which questionnaire shall be provided by the Secretary upon written request) and a written representation and agreement (in the form provided by the Secretary upon written request) that such person (i) is not and will not become a party to (A) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any other person or entity as to how such person, if elected as a director of the Corporation, will act or vote on any issue or question (a "Voting Commitment") that has not been disclosed to the Corporation or (B) any Voting Commitment that could limit or interfere with such person's ability to comply, if elected as a director of the Corporation, with such person's fiduciary duties under applicable law, (ii) is not and will not become a party to any agreement, arrangement or understanding with any other person or entity, other than the Corporation, with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director of the Corporation, and (iii) in such person's individual capacity and on behalf of any other person or entity on whose behalf the nomination is being made, would be in compliance, if elected as a director of the Corporation, and will comply with, applicable law and all applicable publicly disclosed corporate governance, code of conduct and ethics, conflict of interest, corporate opportunities, trading and any other policies and guidelines of the Corporation applicable to directors.

(5) Notwithstanding the foregoing provisions of this Section 7, unless otherwise required by law, if a stockholder of the Corporation (or a qualified representative of the stockholder) does not appear in person at the annual or special meeting of the stockholders of the Corporation to make its nomination or propose any other matter, such nomination shall be disregarded and such other proposed matter shall not be transacted, even if proxies in respect of such vote have been received by the Corporation. For purposes of this Article I, to be considered a "qualified representative" of the stockholder, a person must be (i) a duly authorized officer, manager or partner of such stockholder or (ii) must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of the stockholders, and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the commencement of the meeting of the stockholders.

SECTION 8. Voting; Proxies. Unless otherwise provided by NRS or in the Articles of Incorporation, each stockholder entitled to vote at any meeting of stockholders shall be entitled to one vote for each share of capital stock which has voting power upon the matter in question held by such stockholder either (i) on the date fixed pursuant to the provisions of Section 9 of Article I of these bylaws as the record date for the determination of the stockholders to be entitled to notice of or to vote at such meeting; or (ii) if no record date is fixed, then at the close of business on the day next preceding the day on which notice is given. Each stockholder entitled to vote at any meeting of the stockholders may authorize another person or persons to act for him by proxy. Any such proxy shall be delivered to the secretary of such meeting at or prior to the time designated in the order of business for so delivering such proxies. At all meetings of the stockholders for the election of directors, a plurality of the votes cast shall be sufficient to elect. On all other matters, except as otherwise required by Nevada law or the Articles of Incorporation, a majority of the votes cast at a meeting of the stockholders shall be necessary to authorize any corporate action to be taken by vote of the stockholders. Unless required by NRS, or determined by the chairman of the meeting to be advisable, the vote on any question other than the election of directors need not be by written ballot. On a vote by written ballot, each written ballot shall be signed by the stockholder voting, or by his proxy if there be such proxy, and shall state the number of shares voted.

SECTION 9. Fixing of Record Date for Stockholder Meetings. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than 60 nor less than 10 days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be the close of business on the day next preceding the day on which notice is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

SECTION 10. Fixing a Record Date for Other Purposes. In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purposes of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall not be more than 60 days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

SECTION 11. List of Stockholders Entitled to Vote. The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare and make, at least 10 days before every meeting of the stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder of the Corporation who is present.

SECTION 12. Inspectors. The Board of Directors may, in advance of any meeting of stockholders, appoint one or more inspectors to act at such meeting or any adjournment thereof. If the inspectors shall not be so appointed or if any of them shall fail to appear or act, the chairman of the meeting shall appoint inspectors. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his or her ability. The inspectors shall determine the number of shares outstanding and the voting power of each, the number of shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all stockholders. On request of the chairman of the meeting or any stockholder entitled to vote thereat, the inspectors shall make a report in writing of any challenge, question or matter determined by them and shall execute a certificate of any fact found by them. No director or candidate for the office of director shall act as an inspector of an election of directors. Inspectors need not be stockholders.

SECTION 13. Action Without Meeting. Unless otherwise prohibited under exchange rules, any action required by statute to be taken at a meeting of the shareholders, or any action which may be taken at a meeting of the stockholders, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by stockholders representing a majority of shares entitled to vote with respect to the subject matter thereof and such consent shall have the same force and effect as a unanimous vote of the stockholders. The consent may be in more than one counterpart so long as each stockholder signs one of the counterparts. The signed consent, or a signed copy shall be placed in the minute book.

SECTION 14. Stock Ledger. The stock ledger of the Corporation shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by Section 11 of this Article I, the books of the Corporation, or to vote in person or by proxy at any meeting of the stockholders.

ARTICLE II

Board of Directors

SECTION 1. General Powers. The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors. The Board of Directors may exercise all such authority and powers of the Corporation and do all such lawful acts and things as are not, by NRS or the Articles of Incorporation, directed or required to be exercised or done by the stockholders.

SECTION 2. Number, Qualification. The Board of Directors shall consist of such number of Directors (not less than three (3) nor more than ten (10)) as may be fixed from time to time by affirmative vote of a majority of the directors then in office.

The Board of Directors of the Corporation shall be divided into three classes, with the term of office of the first class to expire at the first annual meeting of the stockholders following the initial classification of directors and until their successors are duly elected and qualified, the term of office of the second class to expire at the second annual meeting of the stockholders following the initial classification of directors and until their successors are duly elected and qualified, and the term of office of the third class to expire at the third annual meeting of the stockholders following the initial classification of directors and until their successors are duly elected and qualified. At each annual meeting of the stockholders, directors elected to succeed those directors whose terms expire shall be elected for a term of office to expire at the third succeeding annual meeting of the stockholders after their election and until their successors are duly elected and qualified, and if authorized by a resolution of the Board of Directors, directors may be elected to fill any vacancy on the Board of Directors, regardless of how such vacancy was created.

The Chairman of the Board of Directors and any Vice Chairman appointed to act in the absence of the Chairman, if any, shall be elected by and from the Board of Directors. The Chairman shall preside at all meetings of the Board of Directors at which he or she is present and shall have such authority and perform such duties as may be prescribed by these Bylaws or from time to time be determined by the Board of Directors.

SECTION 3. Newly Created Directorships and Vacancies. Except as otherwise fixed by or pursuant to provisions of the Articles of Incorporation relating to the rights of the holders of any class or series of stock having a preference over common stock as to dividends or upon liquidation to elect additional directors under specified circumstances, newly created directorships resulting from any increase in the number of directors and any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other cause shall be filled by the affirmative vote of a majority of the remaining directors then in office. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term and until such director's successor shall have been duly elected and qualified. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any director then in office.

SECTION 4. Removal and Resignation. Any director may resign at any time upon written notice to the Corporation. Any such resignation shall take effect at the time specified therein or, if the time when it shall become effective shall not be specified therein, immediately upon its receipt; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. Any director, or the entire Board of Directors, may be removed from office at any time only for cause and only by the affirmative vote of the holders of at least seventy percent (70%) of the voting power of all of the then outstanding shares of capital stock of the Corporation entitled to vote at an election of directors, voting together as a single class.

SECTION 5. Regular Meetings. Regular meetings of the Board of Directors may be held at such places within or without the State of Nevada and at such times as the Board of Directors may from time to time determine. Notice of regular meetings of the Board of Directors need not be given except as otherwise required by the NRS or these bylaws.

SECTION 6. Special Meetings. Special meetings of the Board of Directors may be held at any time or place within or without the State of Nevada whenever called by the Chairman of the Board of Directors, the President or by a majority of the entire Board of Directors.

SECTION 7. Notice of Meetings. Notice of each special meeting of the Board of Directors (and of each regular meeting for which notice shall be required) shall be given by the Secretary as hereinafter provided in this Section 7, in which notice shall be stated the time and place of the meeting. Except as otherwise required by Nevada law or these bylaws, such notice need not state the purpose(s) of such meeting. Notice of each such meeting shall be mailed, postage prepaid, to each director, addressed to such director at such director's residence or usual place of business, by registered mail, return receipt requested delivered at least two (2) days before the day on which such meeting is to be held, or shall be sent addressed to such director at such place by electronic mail, or wireless, or be delivered to such director personally, by facsimile or by telephone, at least 24 hours before the time at which such meeting is to be held. A written waiver of notice, signed by the director entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Notice of any such meeting need not be given to any director who shall, either before or after the meeting, submit a signed waiver of notice or who shall attend such meeting without protesting, prior to or at its commencement, the lack of notice to him.

SECTION 8. Quorum and Manner of Acting. Except as hereinafter provided, a majority of the Board of Directors shall be present in person or by means of a conference telephone or similar communications equipment which allows all persons participating in the meeting to hear each other at the same time at any meeting of the Board of Directors in order to constitute a quorum for the transaction of business at such meeting; and, except as otherwise required by NRS, the Articles of Incorporation or these bylaws, the act of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors. In the absence of a quorum at any meeting of the Board of Directors, a majority of the directors present thereat may adjourn such meeting to another time and place. Notice of the time and place of any such adjourned meeting shall be given to the directors who were not present at the time of the adjournment and, unless such time and place were announced at the meeting at which the adjournment was taken, to the other directors. At any adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally called. The directors shall act only as a Board and the individual directors shall have no power as such.

SECTION 9. Action Without a Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting if all members of the Board consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of the Board of Directors.

SECTION 10. Telephonic Participation. Members of the Board of Directors may participate in a meeting of the Board by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation in such a meeting shall constitute presence in person at such meeting.

SECTION 11. Conduct of Meetings. At any meeting of the Board of Directors, business shall be transacted in such order and manner as the Board of Directors may from time to time determine and publicized among all directors, and all matters shall be determined by the vote of a majority of the directors present, except as otherwise provided herein, under the Restated Articles of Incorporation or required by law.

SECTION 12. Compensation. The Board of Directors or any designated committee shall have authority to fix the compensation, including fees and reimbursement of expenses, of directors for services to the Corporation in any capacity, provided that directors who are serving the Corporation as employees and who receive compensation for their services as such, shall not receive any salary or other compensation for their services as directors of the Corporation.

SECTION 13. Committees. The Board of Directors, by vote of a majority of the directors then in office, may elect from its number one or more committees, including, without limitation, a an Audit Committee, Compensation Committee and a Corporate Governance and Nominating Committee, and may delegate thereto some or all of its powers except those which by law, by the Articles of Incorporation or by these bylaws may not be delegated. Except as the Board of Directors may otherwise determine, any such committee may make rules for the conduct of its business, but unless otherwise provided by the Board of Directors or in such rules, its business shall be conducted so far as possible in the same manner as is provided by these bylaws for the Board of Directors. All members of such committees shall hold such offices at the pleasure of the Board of Directors. The Board of Directors may abolish any such committee at any time. Any committee to which the Board of Directors delegates any of its powers or duties shall keep records of its meetings and shall report its action to the Board of Directors.

ARTICLE III

Officers

SECTION 1. Number. The officers of the Corporation shall be elected by the Board of Directors and shall consist of a Chairman of the Board, a Chief Executive Officer, a President, Chief Financial Officer, Chief Technology Officer, one or more Vice Presidents, a Secretary, a Treasurer, and such other officers and assistant officers as may be deemed necessary or desirable by the Board of Directors. Any number of offices may be held by the same person. In its discretion, the Board of Directors may choose not to fill any office for any period that it may deem advisable unless otherwise required by Nevada law.

SECTION 2. Election and Term of Office. The officers of the Corporation shall be elected annually by the Board of Directors at its first meeting held after each annual meeting of stockholders or as soon thereafter as conveniently may be. The Chief Executive Officer shall appoint persons to other officers as he or she deems desirable and such appointments, if any, shall serve at the pleasure of the Board of Directors. Each officer shall hold office until a successor is duly elected and qualified or until his or her earlier death, resignation or removal as hereinafter provided.

SECTION 3. Resignations. Any officer may resign at any time upon written notice to the Corporation. Any such resignation shall take effect at the time specified therein or, if the time when it shall become effective shall not be specified therein, immediately upon its receipt; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 4. Removal. Any officer or agent of the Corporation may be removed, either with or without cause, at any time, by the Board of Directors at any meeting of the Board of Directors or, except in the case of an officer or agent elected or appointed by the Board of Directors, by the Chief Executive Officer, but any such removal shall be without prejudice to the contract rights, if any, of the person so removed.

SECTION 5. Vacancies. Any vacancy occurring in any office of the Corporation by death, resignation, removal or otherwise, may be filled for the unexpired portion of the term of the office which shall be vacant by the Board of Directors at any special or regular meeting.

SECTION 6. Powers and Duties of Executive Officers. The officers of the Corporation shall have such powers and duties in the management of the Corporation as may be prescribed in a resolution by the Board of Directors and, to the extent not so provided, as generally pertain to their respective offices, subject to the control of the Board of Directors. The Board of Directors may require any officer, agent or employee to give security for the faithful performance of his or her duties.

SECTION 7. The Chairman of the Board. The Chairman of the Board shall, if present, preside at each meeting of the stockholders and of the Board of Directors. Such person shall perform all duties incident to the office of Chairman of the Board and such other duties as may from time to time be assigned to such person by the Board of Directors.

SECTION 8. The Chief Executive Officer. The Chief Executive Officer shall have the general and active supervision and direction over the business operations and affairs of the Corporation and over the other officers, agents and employees and shall see that their duties are properly performed. At the request of the Chairman of the Board, or in the case of his absence or inability to act, the Chief Executive Officer shall perform the duties of the Chairman of the Board and when so acting shall have all the powers of, and be subject to all the restrictions upon the Chairman of the Board. Such person shall perform all duties incident to the office of Chief Executive Officer and such other duties as may from time to time be assigned to such person by the Board of Directors.

SECTION 9. The President. The President shall have general and active supervision and direction over the business operations and affairs of the Corporation and over its several officers, agents and employees, subject, however, to the direction of the Chief Executive Officer and the control of the Board of Directors. In general, the President shall have such other powers and shall perform such other duties as usually pertain to the office of President or as from time to time may be assigned to him by the Board of Directors or the Chief Executive Officer.

SECTION 10. Vice Presidents. Each Vice President shall have such powers and perform such duties as from time to time may be assigned to him by the Board of Directors or the Chief Executive Officer.

SECTION 11. The Treasurer. The Treasurer shall (a) have charge and custody of, and be responsible for, all the funds and securities of the Corporation; (b) keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation; (c) cause all monies and other valuables to be deposited to the credit of the Corporation in such depositories as may be designated by the Board; (d) receive, and give receipts for, monies due and payable to the Corporation from any source whatsoever; (e) disburse the funds of the Corporation and supervise the investment of its funds as ordered or authorized by the Board, taking proper vouchers therefor; and (f) in general, have all the powers and perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board of Directors or the Chief Executive Officer.

SECTION 12. The Secretary. The Secretary shall (a) record the proceedings of the meetings of the stockholders and directors in a minute book to be kept for that purpose; (b) see that all notices are duly given in accordance with the provisions of these bylaws and as required by law; (c) be custodian of the records and the seal of the Corporation and affix and attest the seal to all stock certificates of the Corporation (unless the seal of the Corporation on such certificates shall be a facsimile, as hereinafter provided) and affix and attest the seal to all other documents to be executed on behalf of the Corporation under its seal; (d) see that the books, reports, statements, certificates and other documents and records required by law to be kept and filed are properly kept and filed; and (e) in general, have all the powers and perform all the duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board of Directors or the Chief Executive Officer.

SECTION 13. Officers' Bonds or Other Security. The Board of Directors may secure the fidelity of any or all of its officers or agents by bond or otherwise, in such amount and with such surety or sureties as the Board of Directors may require.

SECTION 14. Compensation. The compensation of the officers of the Corporation for their services as such officers shall be fixed from time to time by the Board of Directors; provided, however, that the Board of Directors may delegate to the Chief Executive Officer or the President the power to fix the compensation of officers and agents appointed by the Chairman of the Board or the President, as the case may be. An officer of the Corporation shall not be prevented from receiving compensation by reason of the fact that such person is also a director of the Corporation.

ARTICLE IV

Shares of Stock

SECTION 1. Stock Certificates. Every holder of stock in the Corporation shall be entitled to have a certificate signed by or in the name of the Corporation by the Chairman of the Board or the President or a Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary, certifying the number of shares owned by such holder in the Corporation. Any of or all the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon such certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may nevertheless be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

SECTION 2. Books of Account and Record of Stockholders. The books and records of the Corporation may be kept at such places, within or without the State of Nevada, as the Board of Directors may from time to time determine. The stock record books and the blank stock certificate books shall be kept by the Secretary or by any other officer or agent designated by the Board of Directors.

SECTION 3. Transfer of Shares. Transfers of shares of stock of the Corporation shall be made on the stock records of the Corporation only upon authorization by the registered holder thereof, or by his attorney hereunto authorized by power of attorney duly executed and filed with the Secretary or with a transfer agent or transfer clerk, and on surrender of the certificate or certificates for such shares properly endorsed or accompanied by a duly executed stock transfer power and the payment of all taxes thereon. Except as otherwise provided by Nevada law, the Corporation shall be entitled to recognize the exclusive right of a person in whose name any share or shares stand on the record of stockholders as the owner of such share or shares for all purposes, including, without limitation, the rights to receive dividends or other distributions, and to vote as such owner, and the Corporation may hold any such stockholder of record liable for calls and assessments and the Corporation shall not be bound to recognize any equitable or legal claim to or interest in any such share or shares on the part of any other person whether or not it shall have express or other notice thereof. Whenever any transfers of shares shall be made for collateral security and not absolutely, and both the transferor and transferee request the Corporation to do so, such fact shall be stated in the entry of the transfer.

SECTION 4. Regulations. The Board of Directors may make such additional rules and regulations, not inconsistent with these bylaws, as it may deem expedient concerning the issue, transfer and registration of certificates for shares of stock of the Corporation. It may appoint, or authorize any officer or officers to appoint, one or more transfer agents or one or more transfer clerks and one or more registrars and may require all certificates for shares of stock to bear the signature or signatures of any of them.

SECTION 5. Lost, Stolen or Destroyed Stock Certificates. The holder of any certificate representing shares of stock of the Corporation shall immediately notify the Corporation of any loss, destruction or mutilation of such certificate, and the Corporation may issue a new certificate of stock in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Board of Directors may, in its discretion, require the owner of the lost, stolen or destroyed certificate, or his legal representative, to give the Corporation a bond sufficient, as the Board in its absolute discretion shall determine, to indemnify the Corporation against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate. Anything herein to the contrary notwithstanding, the Board of Directors, in its absolute discretion, may refuse to issue any such new certificate, except pursuant to judicial proceedings under the laws of the State of Nevada.

ARTICLE V
INDEMNIFICATION OF DIRECTORS AND OFFICERS

SECTION 1. Right to Indemnification.

Each person who was or is made a party or is threatened to be made a party to or is otherwise involved (including, without limitation, as a witness) in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director or an officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, or trustee of another corporation, or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter an "Indemnitee"), whether the basis of such action, suit or proceeding is alleged action in an official capacity as a director, officer or trustee or in any other capacity while serving as a director, officer or trustee, shall be indemnified and held harmless by the Corporation to the fullest extent permitted by law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such Indemnitee in connection therewith; provided, however, that, except as provided in Section 3 of this Article V with respect to proceedings to enforce rights to indemnification or an advancement of expenses or as otherwise required by law, the Corporation shall not be required to indemnify or advance expenses to any such Indemnitee in connection with an action, suit or proceeding (or part thereof) initiated by such Indemnitee unless such action, suit or proceeding (or part thereof) was authorized by the Board of Directors of the Corporation.

SECTION 2. Right to Advancement of Expenses.

In addition to the right to indemnification conferred in Section 1 of this Article V, an Indemnitee shall also have the right to be paid by the Corporation the expenses (including attorney's fees) incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the NRS then requires, an advancement of expenses incurred by an Indemnitee in his capacity as a director or officer (and not in any other capacity in which service was or is rendered by such Indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such Indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that such Indemnitee is not entitled to be indemnified for such expenses under this Section 2.

SECTION 3. Right of Indemnitees to Bring Suit.

If a claim under Section 1 or 2 of this Article V is not paid in full by the Corporation within sixty (60) days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty (20) days, the Indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Indemnitee shall also be entitled to be paid the expenses of prosecuting or defending such suit. In any suit brought by the Indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the Indemnitee to enforce a right to an advancement of expenses) it shall be a defense that the Indemnitee has not met any applicable standard for indemnification set forth in the NRS. In any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall be entitled to recover such expenses upon a final adjudication that, the Indemnitee has not met any applicable standard for indemnification set forth in the NRS. Neither the failure of the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the Indemnitee is proper in the circumstances because the Indemnitee has met the applicable standard of conduct set forth in the NRS, nor an actual determination by the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel, or its stockholders) that the Indemnitee has not met such applicable standard of conduct, shall create a presumption that the Indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the Indemnitee, be a defense to such suit. In any suit brought by the Indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the Indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article V or otherwise shall be on the Corporation.

SECTION 4. Non-Exclusivity of Rights.

The rights to indemnification and to the advancement of expenses conferred in this Article V shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, the Restated Certificate of Incorporation as amended from time to time, these Bylaws, any agreement, any vote of stockholders or directors as permitted by the NRS or otherwise.

SECTION 5. Insurance.

The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of (i) the Corporation or (ii) another corporation, partnership, joint venture, trust or other enterprise, against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the NRS.

SECTION 6. Indemnity Agreements.

The Corporation may enter into indemnity agreements from time to time (i) with the persons who are members of its Board of Directors, (ii) with such officers, employees and agents of the Corporation and (iii) with such officers, directors, employees and agents of subsidiaries or affiliates of the Corporation. Such indemnity agreements may provide in substance that the Corporation will indemnify such persons to the full extent as contemplated by this Article V or permitted by law and the Restated Articles of Incorporation, and may include any other substantive or procedural provisions regarding indemnification as are not inconsistent with the laws of the State of Nevada. The provisions of such indemnity agreements shall prevail to the extent that they limit or condition or differ from the provisions of this Article V.

SECTION 7. Indemnification of Employees and Agents of the Corporation.

The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Corporation to the fullest extent of the provisions of this Article V with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

SECTION 8. Nature of Rights.

The rights conferred upon Indemnitees in this Article V shall be contract rights and such rights shall continue as to an Indemnitee who has ceased to be a director, officer, employee, agent or trustee and shall inure to the benefit of the Indemnitee's heirs, executors and administrators. Any amendment, alteration or repeal of this Article V that adversely affects any right of an Indemnitee or its successors shall be prospective only and shall not limit, eliminate, or impair any such right with respect to any action, suit or proceeding involving any occurrence or alleged occurrence of any action or omission to act that took place prior to such amendment, alteration or repeal.

SECTION 9. Severability.

If any word, clause, provision or provisions of this Article V shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (i) the validity, legality and enforceability of the remaining provisions of this Article V (including, without limitation, each portion of any section of this Article containing any such provision held to be invalid, illegal or unenforceable, that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (ii) to the fullest extent possible, the provisions of this Article V (including, without limitation, each such portion of any section of this Article V containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

ARTICLE VI

General Provisions

SECTION 1. Registered Office. The registered office and registered agent of the Corporation will be as specified in the Articles of Incorporation of the Corporation.

SECTION 2. Other Offices. The Corporation may also have such offices, both within or without the State of Nevada, as the Board of Directors may from time to time determine or the business of the Corporation may require.

SECTION 3. Fiscal Year. The fiscal year of the Corporation shall be so determined by the Board of Directors.

SECTION 4. Voting Securities Owned by Corporation. Voting securities in any other corporation held by the Corporation shall be voted by the Chief Executive Officer, unless the Board of Directors specifically confers authority to vote with respect thereto, which authority may be general or confined to specific instances, upon some other person or officer. Any person authorized to vote securities shall have the power to appoint proxies, with general power of substitution.

SECTION 5. Inspection of Books and Records. Any stockholder of record, in person or by attorney or other agent, shall, upon written demand under oath stating the purpose thereof, have the right during the usual hours for business to inspect for any proper purpose the Corporation's stock ledger, a list of its stockholders, and its other books and records, and to make copies or extracts therefrom. A proper purpose shall mean any purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent shall be the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing which authorizes the attorney or other agent to so act on behalf of the stockholder. The demand under oath shall be directed to the Corporation at its registered office in the State of Nevada or at its principal place of business.

SECTION 6. Section Headings. Section headings in these bylaws are for convenience of reference only and shall not be given any substantive effect in limiting or otherwise construing any provision herein.

SECTION 7. Inconsistent Provisions. In the event that any provision of these bylaws is or becomes inconsistent with any provision of the Articles of Incorporation, the general corporation law of the State of Nevada or any other applicable law, the provision of these bylaws shall not be given any effect to the extent of such inconsistency but shall otherwise be given full force and effect.

ARTICLE VII

Amendments

These bylaws, may be adopted, amended or repealed, and new bylaws made, by the Board of Directors of the Corporation, but the stockholders of the Corporation may make additional bylaws and may alter and repeal any bylaws, whether adopted by them or otherwise, by affirmative vote of the holders of at least sixty-six percent (66%) of the voting power of all of the then outstanding shares of capital stock of the Corporation entitled to be voted at the meeting, present in person or represented by proxy.

I, the undersigned, being the Secretary of ScoutCam Inc., DO HEREBY CERTIFY the foregoing to be the bylaws of the Corporation, as adopted by consent to action in lieu of a special meeting of the Board of Directors of the Corporation, dated June __, 2021.

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES
EXCHANGE ACT OF 1934**

ScoutCam Inc. has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), our shares of common stock, par value \$0.001 (the "Common Stock"). The following is a summary of some of the terms of our Common Stock based on our Amended and Restated Articles of Incorporation (the "Articles of Incorporation") and our Amended and Restated Bylaws (the "Bylaws"). The following summary is not complete and is subject to, and is qualified in its entirety by reference to, the provisions of our Articles of Incorporation, our Bylaws as well as the Nevada Revised Statutes ("NRS") and any other documents referenced in the summary and from which the summary is derived.

Name of exchange on which registered

Our Common Stock is quoted on the OTC Market, OTCQB Tier, under the symbol "SCTC". Prior to December 30, 2019, our Common Stock was quoted under the symbol "INLL".

Registration

ScoutCam Inc. was incorporated on March 22, 2013 in the State of Nevada under the name Intellisense Solutions Inc.

Common Stock

We are authorized to issue up to a total of 300,000,000 shares of Common Stock. Holders of our Common Stock are entitled to one vote for each share held on all matters submitted to a vote of our stockholders.

As of December 31, 2022, there were 7,121,737 shares of Common Stock issued and outstanding and there were approximately 36 holders of record of our Common Stock.

Voting Rights

Holders of Common Stock are entitled to one vote per share on all matters voted on generally by the stockholders, including the election of directors, and the holders of Common Stock possess all voting power of our stockholders. Holders of Common Stock do not have cumulative voting rights.

Liquidation Rights

If any, upon any liquidation, dissolution or winding up of the affairs of the Company, whether voluntary or involuntary, holders of shares of Common Stock are entitled to share equally and ratably in the assets of the Company to be distributed among the holders of outstanding shares of Common Stock.

Dividends

In general, the holders of outstanding shares of our Common Stock are entitled to receive dividends out of funds legally available therefor at such times and in such amounts as our board of directors may from time to time determine. As a Nevada corporation, we are subject to the limitations of Nevada law, which allows us to pay dividends unless, after such dividend, we would not be able to pay our debts as they become due in the usual course of business or our total assets would be less than the sum of our total liabilities plus any amount that would be needed if we were to be dissolved at the time of the dividend payment to satisfy the preferential rights of stockholders whose preferential rights are superior to those receiving the dividend.

Changing our Articles of Incorporation and Bylaws

Our Articles of Incorporation may be amended or repealed in the manner prescribed by the NRS, and all rights conferred upon stockholders are granted subject to this reservation. Additionally, the affirmative vote of the holders of at least sixty-six percent (66%) of the voting power of all the then outstanding shares of Capital Stock entitled to be voted at the meeting, present in person or represented by proxy, shall be required to amend, alter or repeal, or adopt any provision inconsistent with, Articles IV through XIII of our Articles of Incorporation, and in addition to the affirmative vote of the holders of any class or series of the shares of capital stock required by law.

Our bylaws may be adopted, amended or repealed, and new bylaws made, by the Board of Directors, but our stockholders may make additional bylaws and may alter and repeal any bylaws, whether adopted by them or otherwise, by affirmative vote of the holders of at least sixty-six percent (66%) of the voting power of all of the then outstanding shares of Capital Stock entitled to be voted at the meeting, present in person or represented by proxy.

Board of Directors

Directors shall be divided into three classes. The initial first, second and third class directors shall serve terms of office expiring at the first, second and third annual meeting of stockholders following the initial classification of directors, respectively, and until their respective successors are duly elected and qualified. At each annual meeting of stockholders, directors elected to succeed those directors whose terms expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election and until their successors are duly elected and qualified. The Board of Directors is authorized to assign directors already in office to such classes as it may determine at the time the classification becomes effective.

In any election of directors, the persons (i) in contested elections receiving a plurality of the votes cast, up to the number of directors to be elected in such election, shall be deemed elected or (ii) in uncontested elections receiving a majority of the votes shall be deemed elected. The stockholders are expressly prohibited from cumulating their votes in any election of our directors. Each director shall hold office until his or her successor is elected and qualified or until his or her earlier resignation or removal.

Anti-Takeover Effects of Nevada Law and Our Articles of Incorporation and Bylaws

General. Certain provisions of our Articles of Incorporation and our Bylaws, and certain provisions of the NRS could make our acquisition by a third party, a change in our incumbent management, or a similar change of control more difficult. These provisions, which are summarized below, may reduce our vulnerability to an unsolicited proposal for the restructuring or sale of all or substantially all of our assets or an unsolicited takeover attempt. The summary of the provisions set forth below does not purport to be complete and is qualified in its entirety by reference to our Articles of Incorporation and our Bylaws and the applicable provisions of the NRS.

Advance Notice Requirements. Stockholders wishing to nominate or re-nominate persons for election to our Board of Directors at an annual meeting or to propose any business to be considered by our stockholders at an annual meeting must comply with certain advance notice and other requirements set forth in our Bylaws. Likewise, if our Board of Directors has determined that directors shall be elected at a special meeting of stockholders, stockholders wishing to nominate or re-nominate persons for election to our board of directors at such special meeting must comply with certain advance notice and other requirements set forth in our Bylaws.

Special Meetings. Our Bylaws provide that special meetings of stockholders may only be called by the Board of Directors acting pursuant to a resolution approved by the affirmative vote by a majority of the directors then in office.

Board Vacancies. Any vacancy on our board of directors, howsoever resulting, may be filled by a majority vote of the directors then in office even if less than a quorum is present. Any director elected to fill a vacancy shall hold office for a term expiring at the next annual meeting of stockholders, at which their successors are elected or appointed and the term of the class to which he or she has been elected expires, or until his or her earlier resignation or removal.

Removal of Directors. Our Bylaws provide that any director, or the entire Board of Directors, may be removed from office at any time only for cause and only by the affirmative vote of the holders of at least seventy percent (70%) of the voting power of all of the then outstanding shares of capital stock of the Corporation entitled to vote at an election of directors, voting together as a single class. NRS 78.335 generally requires the vote of stockholders representing not less than two-thirds of the voting power of the issued and outstanding stock entitled to vote in order to remove an incumbent director.

Nevada Anti-Takeover Statutes. Nevada's "acquisition of controlling interest" statutes (NRS 78.378 through 78.3793, inclusive) contain provisions governing the acquisition of a controlling interest in certain Nevada corporations. These "control share" laws provide generally that any person that acquires a "controlling interest" in certain Nevada corporations may be denied voting rights, unless a majority of the disinterested stockholders of the corporation elects to restore such voting rights. These laws will apply to us as of a particular date if we were to have 200 or more stockholders of record (at least 100 of whom have addresses in Nevada appearing on our stock ledger at all times during the 90 days immediately preceding that date) and do business in the State of Nevada directly or through an affiliated corporation, unless our articles of incorporation or bylaws in effect on the tenth day after the acquisition of a controlling interest provide otherwise. These laws provide that a person acquires a "controlling interest" whenever a person acquires shares of a subject corporation that, but for the application of these provisions of the NRS, would enable that person to exercise (1) one-fifth or more, but less than one-third, (2) one-third or more, but less than a majority or (3) a majority or more, of all of the voting power of the corporation in the election of directors. Once an acquirer crosses one of these thresholds, shares which it acquired in the transaction taking it over the threshold and within the 90 days immediately preceding the date when the acquiring person acquired or offered to acquire a controlling interest become "control shares" to which the voting restrictions described above apply. Our Articles of Incorporation include a provision electing that the Company be governed by these laws. These laws may have a chilling effect on certain transactions by for example discouraging companies or persons interested in acquiring a significant interest in or control of us, regardless of whether such transactions may be in the interest of our stockholders, unless our Articles of Incorporation or Bylaws are amended to provide that these provisions generally do not apply to us or to an acquisition of a controlling interest, or if our disinterested stockholders do not confer voting rights in the control shares. However, at this time, we do not believe we have 100 stockholders of record resident of Nevada and we do not conduct business in Nevada directly or through an affiliated corporation. Therefore, the provisions of the control share acquisition act are believed not to apply to acquisitions of our shares at this time and will not until such time as these requirements have been met.

Nevada's "combinations with interested stockholders" statutes (NRS 78.411 through 78.444, inclusive) provide that specified types of business "combinations" between certain Nevada corporations and any person deemed to be an "interested stockholder" of the corporation are prohibited for two years after such person first becomes an "interested stockholder" unless the corporation's board of directors approves the combination (or the transaction by which such person becomes an "interested stockholder") in advance, or unless the combination is approved by the board of directors and sixty percent of the corporation's voting power not beneficially owned by the interested stockholder, its affiliates and associates. Furthermore, in the absence of prior approval certain restrictions may apply even after such two-year period. For purposes of these statutes, an "interested stockholder" is any person who is (1) the beneficial owner, directly or indirectly, of 10% or more of the voting power of the outstanding voting shares of the corporation, or (2) an affiliate or associate of the corporation and at any time within the two previous years was the beneficial owner, directly or indirectly, of 10% or more of the voting power of the then-outstanding shares of the corporation. The definition of the term "combination" is sufficiently broad to cover most significant transactions between a corporation and an "interested stockholder". These laws generally apply to Nevada corporations with 200 or more stockholders of record. Our Articles of Incorporation include a provision electing that the Company not be governed by these laws.

In addition, NRS 78.139 also provides that directors may resist a change or potential change in control of the corporation if the board of directors determines that the change or potential change is opposed to or not in the best interest of the corporation upon consideration of any relevant facts, circumstances, contingencies or constituencies pursuant to NRS 78.138(4).

Transfer Agent

The transfer agent and registrar for our Common Stock is Securities Transfer Corporation. The transfer agent and registrar's address is 2901 N. Dallas Parkway, Suite 380, Plano, Texas 75093. The transfer agent's telephone number is (469) 633-0101.

SCOUTCAM INC.
2020 SHARE INCENTIVE PLAN

Unless otherwise defined, terms used herein shall have the meaning ascribed to them in Section 2 hereof.

1. **PURPOSE; TYPES OF AWARDS; CONSTRUCTION.**

1.1. **Purpose.** The purpose of this 2020 Share Incentive Plan (as amended on July 5, 2022, this “**Plan**”) is to afford an incentive to Service Providers of ScoutCam Inc., a Nevada registered company (together with any successor corporation thereto, the “**Corporation**”), or any Affiliate of the Corporation, which now exists or hereafter is organized or acquired by the Corporation or its Affiliates, to continue as Service Providers, to increase their efforts on behalf of the Corporation or its Affiliates and to promote the success of the Corporation’s business, by providing such Service Providers with opportunities to acquire a proprietary interest in the Corporation by the issuance of Shares or restricted Shares (“**Restricted Shares**”) of the Corporation, and by the grant of options to purchase Shares (“**Options**”), Restricted Share Units (“**RSUs**”) and other Share-based Awards pursuant to Sections 11 through 13 of this Plan.

1.2. **Types of Awards.** This Plan is intended to enable the Corporation to issue Awards under various tax regimes, including:

(i) pursuant and subject to the provisions of Section 102 of the Ordinance (or the corresponding provision of any subsequently enacted statute, as amended from time to time), and all regulations and interpretations adopted by any competent authority, including the Israel Tax Authority (the “**ITA**”), including the Income Tax Rules (Tax Benefits in Stock Issuance to Employees) 5763-2003 or such other rules so adopted from time to time (the “**Rules**”) (such Awards that are intended to be (as set forth in the Award Agreement) and which qualify as such under Section 102 of the Ordinance and the Rules, “**102 Awards**”);

(ii) pursuant to Section 3(i) of the Ordinance or the corresponding provision of any subsequently enacted statute, as amended from time to time (such Awards, “**3(i) Awards**”);

(iii) Incentive Stock Options within the meaning of Section 422 of the Code, or the corresponding provision of any subsequently enacted United States federal tax statute, as amended from time to time, to be granted to Employees who are deemed to be residents of the United States, for purposes of taxation, or are otherwise subject to U.S. Federal income tax (such Awards that are intended to be (as set forth in the Award Agreement) and which qualify as an incentive stock option within the meaning of Section 422(b) of the Code, “**Incentive Stock Options**”); and

(iv) Options not intended to be (as set forth in the Award Agreement) or which do not qualify as an Incentive Stock Option to be granted to Service Providers who are deemed to be residents of the United States for purposes of taxation, or are otherwise subject to U.S. Federal income tax (“**Nonqualified Stock Options**”).

In addition to the issuance of Awards under the relevant tax regimes in the United States of America and the State of Israel, and without derogating from the generality of Section 25, this Plan contemplates issuances to Grantees in other jurisdictions or under other tax regimes with respect to which the Committee is empowered, but is not required, to make the requisite adjustments in this Plan and set forth the relevant conditions in an appendix to this Plan or in the Corporation’s agreement with the Grantee in order to comply with the requirements of such other tax regimes.

1.3. **Corporation Status.** This Plan contemplates the issuance of Awards by the Corporation, both as a private and public company.

1.4. **Construction.** To the extent any provision herein conflicts with the conditions of any relevant tax law, rule or regulation which are relied upon for tax relief in respect of a particular Award to a Grantee, the Committee is empowered, but is not required, hereunder to determine that the provisions of such law, rule or regulation shall prevail over those of this Plan and to interpret and enforce such prevailing provisions. With respect to 102 Awards, if and to the extent any action or the exercise or application of any provision hereof or authority granted hereby is conditioned or subject to obtaining a ruling or tax determination from the ITA, to the extent required by applicable law, then the taking of any such action or the exercise or application of such section or authority with respect to 102 Awards shall be conditioned upon obtaining such ruling or tax determination, and, if obtained, shall be subject to any condition set forth therein; it being clarified that there is no obligation to apply for any such ruling or tax determination (which shall be in the sole discretion of the Committee) and no assurance is made that if applied any such ruling or tax determination will be obtained (or the conditions thereof).

2. **DEFINITIONS.**

2.1. **Terms Generally.** Except when otherwise indicated by the context, (i) the singular shall include the plural and the plural shall include the singular; (ii) any pronoun shall include the corresponding masculine, feminine and neuter forms; (iii) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, restated, supplemented or otherwise modified (subject to any restrictions on such amendments, restatements, supplements or modifications set forth therein or herein), (iv) references to any law, constitution, statute, treaty, regulation, rule or ordinance, including any section or other part thereof shall refer to it as amended from time to time and shall include any successor thereof, (v) reference to a "company" or "entity" shall include a, partnership, corporation, limited liability company, association, trust, unincorporated organization, or a government or agency or political subdivision thereof, and reference to a "person" shall mean any of the foregoing or an individual, (vi) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Plan in its entirety, and not to any particular provision hereof, (vii) all references herein to Sections shall be construed to refer to Sections to this Plan; (viii) the words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation"; and (ix) use of the term "or" is not intended to be exclusive.

2.2. **Defined Terms.** The following terms shall have the meanings ascribed to them in this Section 2:

2.3. **"Affiliate"** shall mean, with respect to any person, any other person that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such person (with the term "control" or "controlled by" within the meaning of Rule 405 of Regulation C under the Securities Act), including, without limitation, any Parent or Subsidiary, or Employer.

2.4. **"Applicable Law"** shall mean any applicable law, rule, regulation, statute, pronouncement, policy, interpretation, judgment, order or decree of any federal, provincial, state or local governmental, regulatory or adjudicative authority or agency, of any jurisdiction, and the rules and regulations of any stock exchange, over-the-counter market or trading system on which the Corporation's shares are then traded or listed.

2.5. **"Award"** shall mean any Option, Restricted Share, RSUs, Shares or any other Share-based award granted under this Plan.

2.6. **"Board"** shall mean the Board of Directors of the Corporation.

2.7. **"Bylaws"** – shall mean ScoutCam Inc.'s by-laws.

2.8. **"Change in Board Event"** shall mean any time at which individuals who, as of the Effective Date, constitute the Board (the **"Incumbent Board"**) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Corporation's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.

2.9. “**Charter**”- shall mean ScoutCam Inc.’s Certificate of Incorporation.

2.10. “**Code**” shall mean the United States Internal Revenue Code of 1986, and any applicable regulations promulgated thereunder, all as amended.

2.11. “**Committee**” shall mean a committee established or appointed by the Board to administer this Plan, subject to Section 3.1.

2.12. “**Controlling Shareholder**” shall have the meaning set forth in Section 32(9) of the Ordinance.

2.13. “**Disability**” shall mean (i) the inability of a Grantee to engage in any substantial gainful activity or to perform the major duties of the Grantee’s position with the Corporation or its Affiliates by reason of any medically determinable physical or mental impairment which has lasted or can be expected to last for a continuous period of not less than 12 months (or such other period as determined by the Committee), as determined by a qualified doctor acceptable to the Corporation, (ii) if applicable, a “permanent and total disability” as defined in Section 22(e)(3) of the Code or Section 409A(a)(2)(c)(i) of the Code, as amended from time to time, or (iii) as defined in a policy of the Corporation that the Committee deems applicable to this Plan, or that makes reference to this Plan, for purposes of this definition. Notwithstanding the foregoing, for Awards that are subject to Section 409A of the Code, Disability shall mean that a Participant is disabled under Section 409A(a)(2)(C)(i) or (ii) of the Code.

2.14. “**Employee**” shall mean any person treated as an employee (including an officer or a director who is also treated as an employee) in the records of the Corporation or any of its Affiliates (and in the case of 102 Awards, subject to Section 9.3 or in the case of Incentive Stock Options, who is an employee for purposes of Section 422 of the Code); provided, however, that neither service as a director nor payment of a director’s fee shall be sufficient to constitute employment for purposes of this Plan. The Corporation shall determine in good faith and in the exercise of its discretion whether an individual has become or has ceased to be an Employee and the effective date of such individual’s employment or termination of employment, as the case may be. For purposes of a person’s rights, if any, under this Plan as of the time of the Corporation’s determination, all such determinations by the Corporation shall be final, binding and conclusive, notwithstanding that the Corporation or any court of law or governmental agency subsequently makes a contrary determination.

2.15. “**Employer**” means, for purpose of a 102 Trustee Award, the Corporation or an Affiliate, Subsidiary or Parent thereof, which is an “employing company” within the meaning and subject to the conditions of Section 102(a) of the Ordinance.

2.16. “**employment**”, “**employed**” and words of similar import shall be deemed to refer to the employment of Employees or to the services of any other Service Provider, as the case may be.

2.17. “**exercise**” “**exercised**” and words of similar import, when referring to an Award that does not require exercise or that is settled upon vesting (such as may be the case with RSUs or Restricted Shares, if so determined in their terms), shall be deemed to refer to the vesting of such an Award (regardless of whether or not the wording included reference to vesting of such an Awards explicitly).

2.18. “**Exercise Period**” shall mean the period, commencing on the date of grant of an Award, during which an Award shall be exercisable, subject to any vesting provisions thereof (including any acceleration thereof, if any) and subject to the termination provisions hereof.

2.19. “**Exercise Price**” shall mean the exercise price for each Share covered by an Option or the purchase price for each Share covered by any other Award.

2.20. **“Fair Market Value”** shall mean, as of any date, the value of a Share or other securities, property or rights as determined by the Board, in its discretion, subject to the following: (i) if, on such date, the Shares are listed on any securities exchange, the average closing sales price per Share on which the Shares are principally traded over the thirty (30) day calendar period preceding the subject date (utilizing all trading days during such 30 calendar day period), as reported in The Wall Street Journal or such other source as the Corporation deems reliable; (ii) if, on such date, the Shares are then quoted in an over-the-counter market, the average of the closing bid and asked prices for the Shares in that market during the thirty (30) day calendar period preceding the subject date (utilizing all trading days during such 30 calendar day period), as reported in The Wall Street Journal or such other source as the Corporation deems reliable; or (iii) if, on such date, the Shares are not then listed on a securities exchange or quoted in an over-the-counter market, or in case of any other securities, property or rights, such value as the Committee, in its sole discretion, shall determine, with full authority to determine the method for making such determination and which determination shall be conclusive and binding on all parties, and shall be made after such consultations with outside legal, accounting and other experts as the Committee may deem advisable; provided, however, that, if applicable, the Fair Market Value of the Shares shall be determined in a manner that is intended to satisfy the applicable requirements of and subject to Section 409A of the Code, and with respect to Incentive Stock Options, in a manner that is intended to satisfy the applicable requirements of and subject to Section 422 of the Code, subject to Section 422(c)(7) of the Code. The Committee shall maintain a written record of its method of determining such value. If the Shares are listed or quoted on more than one established stock exchange or over-the-counter market, the Committee shall determine the principal such exchange or market and utilize the price of the Shares on that exchange or market (determined as per the method described in clauses (i) or (ii) above, as applicable) for the purpose of determining Fair Market Value.

2.21. **“Grantee”** shall mean a person who has been granted an Award(s) under this Plan.

2.22. **“Ordinance”** shall mean the Israeli Income Tax Ordinance (New Version) 1961, and the regulations and rules (including the Rules) promulgated thereunder, all as amended from time to time.

2.23. **“Parent”** shall mean any company (other than the Corporation), which now exists or is hereafter organized, (i) in an unbroken chain of companies ending with the Corporation if, at the time of granting an Award, each of the companies (other than the Corporation) owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other companies in such chain, or (ii) if applicable and for purposes of Incentive Stock Options, that is a “parent corporation” of the Corporation, as defined in Section 424(e) of the Code.

2.24. **“Retirement”** shall mean a Grantee’s retirement pursuant to Applicable Law or in accordance with the terms of any tax-qualified retirement plan maintained by the Corporation or any of its Affiliates in which the Grantee participates or is subject to.

2.25. **“Securities Act”** shall mean the U.S. Securities Act of 1933, and the rules and regulations promulgated thereunder, all as amended from time to time.

2.26. **“Service Provider”** shall mean an Employee, director, officer, consultant, advisor and any other person or entity who provides services to the Corporation or any Parent, Subsidiary or Affiliate thereof. Service Providers shall include prospective Service Providers to whom Awards are granted in connection with written offers of an employment or other service relationship with the Corporation or any Parent, Subsidiary or any Affiliates thereof, provided, however, that such employment or service shall have actually commenced.

“Shares” shall mean shares of common stock, par value US\$0.001 per share, of the Corporation (as adjusted for stock split, reverse stock split, bonus shares, combination or other recapitalization events), or shares of such other class of shares of the Corporation as shall be designated by the Board in respect of the relevant Award(s). “Shares” include any securities, property or rights issued or distributed with respect thereto.

2.27. “**Subsidiary**” shall mean any company (other than the Corporation), which now exists or is hereafter organized or acquired by the Corporation, (i) in an unbroken chain of companies beginning with the Corporation if, at the time of granting an Award, each of the companies other than the last company in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other companies in such chain, or (ii) if applicable and for purposes of Incentive Stock Options, that is a “subsidiary corporation” of the Corporation, as defined in Section 424(f) of the Code.

2.28. “**tax(es)**” shall mean (a) all federal, state, local or foreign taxes, charges, fees, imposts, levies or other assessments, including all income, capital gains, alternative or add-on minimum, transfer, value added tax, real and personal property, withholding, payroll, employment, escheat, social security, disability, national security, health tax, wealth surtax, stamp, registration and estimated taxes, customs duties, fees, assessments and charges of any similar kind whatsoever (including under Section 280G of the Code) or other tax of any kind whatsoever, (b) all interest, indexation differentials, penalties, fines, additions to tax or additional amounts imposed by any taxing authority in connection with any item described in clause (a), (c) any transferee or successor liability in respect of any items described in clauses (a) or (b) payable by reason of contract, assumption, transferee liability, successor liability, operation of Applicable Law, or as a result of any express or implied obligation to assume Taxes or to indemnify any other person, and (d) any liability for the payment of any amounts of the type described in clause (a) or (b) payable as a result of being a member of an affiliated, consolidated, combined, unitary or aggregate or other group for any taxable period, including under U.S. Treasury Regulations Section 1.1502-6(a) (or any predecessor or successor thereof of any analogous or similar provision under Law) or otherwise.

2.29. “**Ten Percent Shareholder**” shall mean a Grantee who, at the time an Award is granted to the Grantee, owns shares possessing more than ten percent (10%) of the total combined voting power of all classes of shares of the Corporation or any Parent or Subsidiary, within the meaning of Section 422(b)(6) of the Code.

2.30. “**Trustee**” shall mean the trustee appointed by the Committee to hold the Awards (and, in relation with 102 Trustee Awards, approved by the ITA), if so appointed.

2.31. **Other Defined Terms.** The following terms shall have the meanings ascribed to them in the Sections set forth below:

Term	Section
102 Awards	1.2(i)
102 Capital Gains Track Awards	9.1
102 Non-Trustee Awards	9.2
102 Ordinary Income Track Awards	9.1
102 Trustee Awards	9.1
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3. **ADMINISTRATION.**

3.1. To the extent permitted under Applicable Law, the Charter, the Bylaws and any other governing document of the Corporation, this Plan shall be administered by the Committee. In the event that the Board does not appoint or establish a committee to administer this Plan, this Plan shall be administered by the Board, and, accordingly, any and all references herein to the Committee shall be construed as references to the Board. In the event that an action necessary for the administration of this Plan is required under Applicable Law to be taken by the Board without the right of delegation, or if such action or power was explicitly reserved by the Board in appointing, establishing and empowering the Committee, then such action shall be so taken by the Board. In any such event, all references herein to the Committee shall be construed as references to the Board. Even if such a Committee was appointed or established, the Board may take any actions that are stated to be vested in the Committee, and shall not be restricted or limited from exercising all rights, powers and authorities under this Plan or Applicable Law.

3.2. The Board shall appoint the members of the Committee, may from time to time remove members from, or add members to, the Committee, and shall fill vacancies in the Committee, however caused, provided that the composition of the Committee shall at all times be in compliance with any mandatory requirements of Applicable Law, the Charter, the Bylaws and any other governing document of the Corporation. The Committee may select one of its members as its Chairman and shall hold its meetings at such times and places as it shall determine. The Committee may appoint a Secretary, who shall keep records of its meetings, and shall make such rules and regulations for the conduct of its business as it shall deem advisable and subject to mandatory requirements of Applicable Law.

3.3. Subject to the terms and conditions of this Plan, any mandatory provisions of Applicable Law and any provisions of any Corporation policy required under mandatory provisions of Applicable Law, and in addition to the Committee's powers contained elsewhere in this Plan, the Committee shall have full authority, in its discretion, from time to time and at any time, to determine any of the following, or to recommend to the Board any of the following if it is not authorized to take such action according to Applicable Law:

(i) eligible Grantees,

(ii) grants of Awards and setting the terms and provisions of Award Agreements (which need not be identical) and any other agreements or instruments under which Awards are made, including the number of Shares underlying each Award and the class of Shares underlying each Award (if more than one class was designated by the Board),

(iii) the time or times at which Awards shall be granted.

(iv) the terms, conditions and restrictions applicable to each Award (which need not be identical) and any Shares acquired upon the exercise or (if applicable) vesting thereof, including (1) designating Awards under Section 1.2; (2) the vesting schedule, the acceleration thereof and terms and conditions upon which Awards may be exercised or become vested, (3) the Exercise Price, (4) the method of payment for Shares purchased upon the exercise or (if applicable) vesting of the Awards, (5) the method for satisfaction of any tax withholding obligation arising in connection with the Awards or such Shares, including by the withholding or delivery of Shares, (6) the time of the expiration of the Awards, (7) the effect of the Grantee's termination of employment with the Corporation or any of its Affiliates, and (8) all other terms, conditions and restrictions applicable to the Award or the Shares not inconsistent with the terms of this Plan,

(v) to accelerate, continue, extend or defer the exercisability of any Award or the vesting thereof, including with respect to the period following a Grantee's termination of employment or other service.

(vi) the interpretation of this Plan and any Award Agreement and the meaning, interpretation and applicability of terms referred to in Applicable Law,

(vii) policies, guidelines, rules and regulations relating to and for carrying out this Plan, and any amendment, supplement or rescission thereof, as it may deem appropriate,

(viii) to adopt supplements to, or alternative versions of, this Plan, including, without limitation, as it deems necessary or desirable to comply with the laws of, or to accommodate the tax regime or custom of, foreign jurisdictions whose citizens or residents may be granted Awards,

(ix) the Fair Market Value of the Shares or other securities, property or rights,

(x) the tax track (capital gains, ordinary income track or any other track available under the Section 102 of the Ordinance) for the purpose of 102 Awards,

(xi) the authorization and approval of conversion, substitution, cancellation or suspension under and in accordance with this Plan of any or all Awards or Shares,

(xii) unless otherwise provided under the terms of this Plan, the amendment, modification, waiver or supplement of the terms of any outstanding Award (including, without limitation, reducing the Exercise Price of an Award), *provided, however*, that if such amendments increases the Exercise Price of an Award or reduces the number of Shares underlying an Award, then such amendments shall require the consent of the applicable Grantee, unless such amendment is made pursuant to the exercise of rights or authorities in accordance with Section 14.

(xiii) without limiting the generality of the foregoing, and subject to the provisions of Applicable Law, to grant to a Grantee, who is the holder of an outstanding Award, in exchange for the cancellation of such Award, a new Award having an Exercise Price lower than that provided in the Award so canceled and containing such other terms and conditions as the Committee may prescribe in accordance with the provisions of this Plan or to set a new Exercise Price for the same Award lower than that previously provided in the Award.

(xiv) to correct any defect, supply any omission or reconcile any inconsistency in this Plan or any Award Agreement and all other determinations and take such other actions with respect to this Plan or any Award as it may deem advisable to the extent not inconsistent with the provisions of this Plan or Applicable Law, and

(xv) any other matter which is necessary or desirable for, or incidental to, the administration of this Plan and any Award thereunder.

3.4. The authority granted hereunder includes the authority to modify Awards to eligible individuals who are foreign nationals or are individuals who are employed outside Israel to recognize differences in local law, tax policy or custom, in order to effectuate the purposes of this Plan but without amending this Plan.

3.5. The Board and the Committee shall be free at all times to make such determinations and take such actions as they deem fit. The Board and the Committee need not take the same action or determination with respect to all Awards, with respect to certain types of Awards, with respect to all Service Providers or any certain type of Service Providers and actions and determinations may differ as among the Grantees, and as between the Grantees and any other holders of securities of the Corporation.

3.6. All decisions, determinations, and interpretations of the Committee, the Board and the Corporation under this Plan shall be final and binding on all Grantees (whether before or after the issuance of Shares pursuant to Awards), unless otherwise determined by the Committee, the Board or the Corporation, respectively. The Committee shall have the authority (but not the obligation) to determine the interpretation and applicability of Applicable Law to any Grantee or any Awards. No member of the Committee or the Board shall be liable to any Grantee for any action taken or determination made in good faith with respect to this Plan or any Award granted hereunder.

3.7. Any officer or authorized signatory of the Corporation shall have the authority to act on behalf of the Corporation with respect to any matter, right, obligation, determination or election which is the responsibility of or which is allocated to the Corporation herein, provided such person has apparent authority with respect to such matter, right, obligation, determination or election. Such person or authorized signatory shall not be liable to any Grantee for any action taken or determination made in good faith with respect to this Plan or any Award granted hereunder.

4. ELIGIBILITY.

Awards may be granted to Service Providers of the Corporation or any Affiliate thereof, taking into account, at the Committee's discretion and without an obligation to do so, the qualification under each tax regime pursuant to which such Awards are granted, subject to the limitation on the granting of Incentive Stock Options set forth in Section 8.1. A person who has been granted an Award hereunder may be granted additional Awards, if the Committee shall so determine, subject to the limitations herein. However, eligibility in accordance with this Section 4 shall not entitle any person to be granted an Award, or, having been granted an Award, to be granted an additional Award.

Awards may differ in number of Shares covered thereby, the terms and conditions applying to them or on the Grantees or in any other respect (including, that there should not be any expectation (and it is hereby disclaimed) that a certain treatment, interpretation or position granted to one shall be applied to the other, regardless of whether or not the facts or circumstances are the same or similar).

5. SHARES.

5.1. The maximum aggregate number of Shares that may be issued pursuant to Awards under this Plan (the "**Pool**") shall initially be 5,228,007 authorized but unissued Shares (except and as adjusted pursuant to Section 14.1 of this Plan), or such other number as the Board may determine from time to time (without the need to amend the Plan in case of such determination). However, except as adjusted pursuant to Section 14.1, in no event shall more than such number of Shares constituting the Pool, as adjusted in accordance with Section **Error! Reference source not found.**, be available for issuance pursuant to the exercise of Incentive Stock Options.

5.2. Any Shares under the Pool that are not subject to outstanding or exercised Awards at the termination of this Plan shall cease to be reserved for the purpose of this Plan.

6. TERMS AND CONDITIONS OF AWARDS.

Each Award granted pursuant to this Plan shall be evidenced by a written or electronic agreement between the Corporation and the Grantee or a written or electronic notice delivered by the Corporation (the “**Award Agreement**”), in substantially such form or forms and containing such terms and conditions, as the Committee shall from time to time approve. The Award Agreement shall comply with and be subject to the following general terms and conditions and the provisions of this Plan (except for any provisions applying to Awards under different tax regimes), unless otherwise specifically provided in such Award Agreement, or the terms referred to in other Sections of this Plan applying to Awards under such applicable tax regimes, or terms prescribed by Applicable Law. Award Agreements need not be in the same form and may differ in the terms and conditions included therein.

6.1. Number of Shares. Each Award Agreement shall state the number of Shares covered by the Award.

6.2. Type of Award. Each Award Agreement may state the type of Award granted thereunder, provided that the tax treatment of any Award, whether or not stated in the Award Agreement, shall be as determined in accordance with Applicable Law.

6.3. Exercise Price. Each Award Agreement shall state the Exercise Price, if applicable. Subject to Sections 3, 7.2 and 8.2 and to the foregoing, the Committee may reduce the Exercise Price of any outstanding Award, on terms and subject to such conditions as it deems advisable. The Exercise Price shall also be subject to adjustment as provided in Section 14 hereof. The Exercise Price of any outstanding Award granted to a Grantee who is subject to U.S. federal income tax shall be determined in accordance with Section 409A of the Code.

6.4. Manner of Exercise. An Award may be exercised, as to any or all Shares as to which the Award has become exercisable, by written notice delivered in person or by mail (or such other methods of delivery prescribed by the Corporation) to the Chief Financial Officer of the Corporation or to such other person as determined by the Committee, or in any other manner as the Committee shall prescribe from time to time, specifying the number of Shares with respect to which the Award is being exercised (which may be equal to or lower than the aggregate number of Shares that have become exercisable at such time, subject to the last sentence of this Section), accompanied by payment of the aggregate Exercise Price for such Shares in the manner specified in the following sentence. The Exercise Price shall be paid in full with respect to each Share, at the time of exercise, either in (i) cash, (ii) if the Corporation’s shares are listed for trading on any securities exchange or over-the-counter market, and if the Committee so determines, all or part of the Exercise Price and any withholding taxes may be paid by the delivery (on a form prescribed by the Corporation) of an irrevocable direction to a securities broker approved by the Corporation to sell Shares and to deliver all or part of the sales proceeds to the Corporation or the Trustee, (iii) if the Corporation’s shares are listed for trading on any securities exchange or over-the-counter market, and if the Committee so determines, all or part of the Exercise Price and any withholding taxes may be paid by the delivery (on a form prescribed by the Corporation) of an irrevocable direction to pledge Shares to a securities broker or lender approved by the Corporation, as security for a loan, and to deliver all or part of the loan proceeds to the Corporation or the Trustee, or (iv) in such other manner as the Committee shall determine, which may include procedures for cashless exercise. The application of cashless exercise with respect to any 102 Awards shall be subject to obtaining a ruling from the ITA, to the extent required by applicable law.

6.5. Term and Vesting of Awards.

6.5.1. Each Award Agreement shall provide the vesting schedule for the Award as determined by the Committee. The Committee shall have the authority to determine the vesting schedule and accelerate the vesting of any outstanding Award at such time and under such circumstances as it, in its sole discretion, deems appropriate. Unless otherwise resolved by the Committee and stated in the Award Agreement, and subject to Sections 6.6 and 6.7 hereof, Awards shall vest and become exercisable under the following schedule: twenty-five percent (25%) of the Shares covered by the Award, on the first anniversary of the vesting commencement date determined by the Committee (and in the absence of such determination, of date on which such Award was granted), and six and one-quarter percent (6.25%) of the Shares covered by the Award at the end of each subsequent three-month period thereafter over the course of the following three (3) years; provided that the Grantee remains continuously as a Service Provider of the Corporation or its Affiliates throughout such vesting dates.

6.5.2. The Award Agreement may contain performance goals and measurements (which, in case of 102 Trustee Awards, may, if then required, be subject to obtaining a specific tax ruling or determination from the ITA), and the provisions with respect to any Award need not be the same as the provisions with respect to any other Award. Such performance goals may include, but are not limited to, sales, earnings before interest and taxes, return on investment, earnings per share, any combination of the foregoing or rate of growth of any of the foregoing, as determined by the Committee. The Committee may adjust performance goals pursuant to Awards previously granted to take into account changes in law and accounting and tax rules and to make such adjustments as the Committee deems necessary or appropriate to reflect the inclusion or the exclusion of the impact of extraordinary or unusual items, events or circumstances.

6.5.3. The Exercise Period of an Award will be seven years from the date of grant of the Award, unless otherwise determined by the Committee and stated in the Award Agreement, but subject to the vesting provisions described above and the early termination provisions set forth in Sections 6.6 and 6.7 hereof. At the expiration of the Exercise Period, any Award, or any part thereof, that has not been exercised within the term of the Award and the Shares covered thereby not paid for in accordance with this Plan and the Award Agreement shall terminate and become null and void, and all interests and rights of the Grantee in and to the same shall expire.

6.6. Termination.

6.6.1. Unless otherwise determined by the Committee, and subject to Section 6.7 hereof, an Award may not be exercised unless the Grantee is then a Service Provider of the Corporation or an Affiliate thereof or, in the case of an Incentive Stock Option, an employee of a company or a parent or subsidiary company of such company issuing or assuming the Option in a transaction to which Section 424(a) of the Code applies, and unless the Grantee has remained continuously so employed since the date of grant of the Award and throughout the vesting dates.

6.6.2. In the event that the employment or service of a Grantee shall terminate (other than by reason of death, Disability or Retirement), all Awards of such Grantee that are unvested at the time of such termination shall terminate on the date of such termination, and all Awards of such Grantee that are vested and exercisable at the time of such termination may be exercised within up to three (3) years after the date of such termination (or such different period as the Committee shall prescribe), but in any event no later than the date of expiration of the Award's term as set forth in the Award Agreement or pursuant to this Plan; provided, however, that if the Corporation (or the Subsidiary or Affiliate, when applicable) shall terminate the Grantee's employment or service for Cause (as defined below) (whether occurring prior to or after termination of employment or service), all Awards theretofore granted to such Grantee (whether vested or not) shall terminate, unless otherwise determined by the Committee, and any Shares issued upon exercise or (if applicable) vesting of Awards (including other Shares or securities issued or distributed with respect thereto), whether held by the Grantee or by the Trustee for the Grantee's benefit, shall be deemed to be irrevocably offered for sale to the Corporation, any of its Affiliates or any person designated by the Corporation to purchase, at the Corporation's election and subject to Applicable Law, either for no consideration, for the par value of such Shares (if shares bear a par value) or against payment of the Exercise Price previously received by the Corporation for such Shares upon their issuance, as the Committee deems fit, upon written notice to the Grantee at any time prior to, at or after the Grantee's termination of employment or service. Such Shares or other securities shall be sold and transferred within 30 days from the date of the Corporation's notice of its election to exercise its right. If the Grantee fails to transfer such Shares or other securities to the Corporation, the Corporation, at the decision of the Committee, shall be entitled to forfeit or repurchase such Shares and to authorize any person to execute on behalf of the Grantee any document necessary to effect such transfer, whether or not the share certificates are surrendered. The Corporation shall have the right and authority to affect the above either by: (i) repurchasing all of such Shares or other securities held by the Grantee or by the Trustee for the benefit of the Grantee, or designate the purchaser of all or any part of such Shares or other securities, for the Exercise Price paid for such Shares, the par value of such Shares (if shares bear a par value) or for no payment or consideration whatsoever, as the Committee deems fit; (ii) forfeiting all or any party of such Shares or other securities; (iii) redeeming all or any party of such Shares or other securities, for the Exercise Price paid for such Shares, the par value of such Shares (if shares bear a par value) or for no payment or consideration whatsoever, as the Committee deems fit; (iv) taking action in order to have all or any party of such Shares or other securities converted into deferred shares entitling their holder only to their par value (if shares bear a par value) upon liquidation of the Corporation; or (v) taking any other action which may be required in order to achieve similar results; all as shall be determined by the Committee, at its sole and absolute discretion, and the Grantee is deemed to irrevocably empower the Corporation or any person which may be designated by it to take any action by, in the name of or on behalf of the Grantee to comply with and give effect to such actions (including, voting such shares, filling in, signing and delivering share transfer deeds, etc.).

6.6.3. Notwithstanding anything to the contrary, the Committee, in its absolute discretion, may, on such terms and conditions as it may determine appropriate, extend the periods for which Awards held by any Grantee may continue to vest and be exercisable; it being clarified that such Awards may lose their entitlement to certain tax benefits under Applicable Law (including, without limitation, qualification of an Award as an Incentive Stock Option) as a result of the modification of such Awards and/or in the event that the Award is exercised beyond the later of: (i) three (3) months after the date of termination of the employment or service relationship; or (ii) the applicable period under Section 6.7 below with respect to a termination of the employment or service relationship because of the death, Disability or Retirement of Grantee.

6.6.4. For purposes of this Plan:

6.6.4.1. A termination of employment or service of a Grantee shall not be deemed to occur (except to the extent required by the Code with respect to the Incentive Stock Option status of an Option) in case of (i) a transition or transfer of a Grantee among the Corporation and its Affiliates, (ii) a change in the capacity in which the Grantee is employed or renders service to the Corporation or any of its Affiliates or a change in the identity of the employing or engagement entity among the Corporation and its Affiliates, provided, in case of the foregoing clauses (i) and (ii) above, that the Grantee has remained continuously employed by and/or in the service of the Corporation and its Affiliates since the date of grant of the Award and throughout the vesting period; or (iii) if the Grantee takes any unpaid leave as set forth in Section 6.8.

6.6.4.2. An entity or an Affiliate thereof assuming an Award or issuing in substitution thereof in a transaction to which Section 424(a) of the Code applies or in a Merger/Sale in accordance with Section 14 shall be deemed as an Affiliate of the Corporation for purposes of this Section 6.6, unless the Committee determines otherwise.

6.6.4.3. In the case of a Grantee whose principal employer or service recipient is a Subsidiary or Affiliate, the Grantee's employment shall also be deemed terminated for purposes of this Section 6.6 as of the date on which such principal employer or service recipient ceases to be a Subsidiary or Affiliate.

6.6.4.4. The term "**Cause**" shall mean (irrespective of, and in addition to, any definition included in any other agreement or instrument applicable to the Grantee, and unless otherwise determined by the Committee) any of the following: (i) any theft, fraud, embezzlement, dishonesty, willful misconduct, breach of fiduciary duty for personal profit, falsification of any documents or records of the Corporation or any of its Affiliates, felony or similar act by the Grantee (whether or not related to the Grantee's relationship with the Corporation); (ii) an act of moral turpitude by the Grantee, or any act that causes significant injury to, or is otherwise adversely affecting, the reputation, business, assets, operations or business relationship of the Corporation (or a Subsidiary or Affiliate, when applicable); (iii) any breach by the Grantee of any material agreement with or of any material duty of the Grantee to the Corporation or any Subsidiary or Affiliate thereof (including breach of confidentiality, non-disclosure, non-use, non-competition or non-solicitation covenants towards the Corporation or any of its Affiliates) or failure to abide by code of conduct or other policies (including, without limitation, policies relating to confidentiality and reasonable workplace conduct); (iv) any act which constitutes a breach of a Grantee's fiduciary duty towards the Corporation or an Affiliate or Subsidiary, including disclosure of confidential or proprietary information thereof or acceptance or solicitation to receive unauthorized or undisclosed benefits, irrespective of their nature, or funds, or promises to receive either, from individuals, consultants or corporate entities that the Corporation or a Subsidiary does business with; (v) the Grantee's unauthorized use, misappropriation, destruction, or diversion of any tangible or intangible asset or corporate opportunity of the Corporation or any of its Affiliates (including, without limitation, the improper use or disclosure of confidential or proprietary information); or (vi) any circumstances that constitute grounds for termination for cause under the Grantee's employment or service agreement with the Corporation or Affiliate, to the extent applicable. For the avoidance of doubt, the determination as to whether a termination is for Cause for purposes of this Plan, shall be made in good faith by the Committee and shall be final and binding on the Grantee.

6.7. Death, Disability or Retirement of Grantee.

6.7.1. If a Grantee shall die while employed by, or performing service for, the Corporation or its Affiliates, or within the three (3) years period (or such longer period of time as determined by the Board, in its discretion) after the date of termination of such Grantee's employment or service (or within such different period as the Committee may have provided pursuant to Section 6.6 hereof), or if the Grantee's employment or service shall terminate by reason of Disability, all Awards theretofore granted to such Grantee may (to the extent otherwise vested and exercisable and unless earlier terminated in accordance with their terms) be exercised by the Grantee or by the Grantee's estate or by a person who acquired the legal right to exercise such Awards by bequest or inheritance, or by a person who acquired the legal right to exercise such Awards in accordance with applicable law in the case of Disability of the Grantee, as the case may be, at any time within three (3) years (or such longer period of time as determined by the Committee, in its discretion) after the death or Disability of the Grantee (or such different period as the Committee shall prescribe), but in any event no later than the date of expiration of the Award's term as set forth in the Award Agreement or pursuant to this Plan. In the event that an Award granted hereunder shall be exercised as set forth above by any person other than the Grantee, written notice of such exercise shall be accompanied by a certified copy of letters testamentary or proof satisfactory to the Committee of the right of such person to exercise such Award.

6.7.2. In the event that the employment or service of a Grantee shall terminate on account of such Grantee's Retirement, all Awards of such Grantee that are exercisable at the time of such Retirement may, unless earlier terminated in accordance with their terms, be exercised at any time within the three (3) years period after the date of such Retirement (or such different period as the Committee shall prescribe).

6.8. Suspension of Vesting. Unless the Committee provides otherwise, vesting of Awards granted hereunder shall be suspended during any unpaid leave of absence, other than in the case of any (i) leave of absence which was pre-approved by the Corporation explicitly for purposes of continuing the vesting of Awards, or (ii) transfers between locations of the Corporation or any of its Affiliates, or between the Corporation and any of its Affiliates, or any respective successor thereof. For clarity, for purposes of this Plan, military leave, statutory maternity or paternity leave or sick leave are not deemed unpaid leave of absence, unless otherwise determined by the Committee.

6.9. Securities Law Restrictions. Except as otherwise provided in the applicable Award Agreement or other agreement between the Service Provider and the Corporation, if the exercise of an Award following the termination of the Service Provider's employment or service (other than for Cause) would be prohibited at any time solely because the issuance of Shares would violate the registration requirements under the Securities Act or equivalent requirements under equivalent laws of other applicable jurisdictions, then the Award shall remain exercisable and terminate on the earlier of (i) the expiration of a period of three (3) months (or such longer period of time as determined by the Board, in its discretion) after the termination of the Service Provider's employment or service during which the exercise of the Award would not be in such violation, or (ii) the expiration of the term of the Award as set forth in the Award Agreement or pursuant to this Plan. In addition, unless otherwise provided in a Grantee's Award Agreement, if the sale of any Shares received upon exercise or (if applicable) vesting of an Award following the termination of the Grantee's employment or service (other than for Cause) would violate the Corporation's insider trading policy, then the Award shall terminate on the earlier of (i) the expiration of a period equal to the applicable post-termination exercise period after the termination of the Grantee's employment or service during which the exercise of the Award would not be in violation of the Corporation's insider trading policy, or (ii) the expiration of the term of the Award as set forth in the applicable Award Agreement or pursuant to this Plan.

6.10. Other Provisions. The Award Agreement evidencing Awards under this Plan shall contain such other terms and conditions not inconsistent with this Plan as the Committee may determine, at or after the date of grant, including provisions in connection with the restrictions on transferring the Awards or Shares covered by such Awards, which shall be binding upon the Grantees and any purchaser, assignee or transferee of any Awards, and other terms and conditions as the Committee shall deem appropriate.

7. NONQUALIFIED STOCK OPTIONS.

Awards granted pursuant to this Section 7 are intended to constitute Nonqualified Stock Options and shall be subject to the general terms and conditions specified in Section 6 hereof and other provisions of this Plan, except for any provisions of this Plan applying to Awards under different tax laws or regulations. In the event of any inconsistency or contradictions between the provisions of this Section 7 and the other terms of this Plan, this Section 7 shall prevail. However, if for any reason the Awards granted pursuant to this Section 7 (or portion thereof) does not qualify as an Incentive Stock Option, then, to the extent of such non-qualification, such Option (or portion thereof) shall be regarded as a Nonqualified Stock Option granted under this Plan. In no event will the Board, the Corporation or any Parent or Subsidiary or any of their respective employees or directors have any liability to Participant (or any other person) due to the failure of the Option to qualify for any reason as an Incentive Stock Option.

7.1. Certain Limitations on Eligibility for Nonqualified Stock Options. Nonqualified Stock Options may not be granted to a Service Provider who is deemed to be a resident of the United States for purposes of taxation or who is otherwise subject to United States federal income tax unless the Shares underlying such Options constitute "service recipient stock" under Section 409A of the Code or unless such Options comply with the payment requirements of Section 409A of the Code.

7.2. Exercise Price. The Exercise Price of a Nonqualified Stock Option shall not be less than 100% of the Fair Market Value of a Share on the date of grant of such Option unless the Committee specifically indicates that the Awards will have a lower Exercise Price and the Award complies with Section 409A of the Code. Notwithstanding the foregoing, a Nonqualified Stock Option may be granted with an exercise price lower than the minimum exercise price set forth above if such Award is granted pursuant to an assumption or substitution for another option in a manner qualifying under the provisions of that complies with Section 424(a) of the Code or 1.409A-1(b)(5)(v)(D) of the U.S. Treasury Regulations or any successor guidance.

8. INCENTIVE STOCK OPTIONS.

Awards granted pursuant to this Section 8 are intended to constitute Incentive Stock Options and shall be granted subject to the following special terms and conditions, the general terms and conditions specified in Section 6 hereof and other provisions of this Plan, except for any provisions of this Plan applying to Awards under different tax laws or regulations. In the event of any inconsistency or contradictions between the provisions of this Section 8 and the other terms of this Plan, this Section 8 shall prevail.

8.1. Eligibility for Incentive Stock Options. Incentive Stock Options may be granted only to Employees of the Corporation, or to Employees of a Parent or Subsidiary, determined as of the date of grant of such Options. An Incentive Stock Option granted to a prospective Employee upon the condition that such person become an Employee shall be deemed granted effective on the date such person commences employment, with an exercise price determined as of such date in accordance with Section 8.2.

8.2. Exercise Price. The Exercise Price of an Incentive Stock Option shall not be less than one hundred percent (100%) of the Fair Market Value of the Shares covered by the Awards on the date of grant of such Option or such other price as may be determined pursuant to the Code. Notwithstanding the foregoing, an Incentive Stock Option may be granted with an exercise price lower than the minimum exercise price set forth above if such Award is granted pursuant to an assumption or substitution for another option in a manner that complies with the provisions of Section 424(a) of the Code.

8.3. Date of Grant. Notwithstanding any other provision of this Plan to the contrary, no Incentive Stock Option may be granted under this Plan after 10 years from the date this Plan is adopted, or the date this Plan is approved by the shareholders, whichever is earlier.

8.4. Exercise Period. No Incentive Stock Option shall be exercisable after the expiration of ten (10) years after the effective date of grant of such Award, subject to Section 8.6. No Incentive Stock Option granted to a prospective Employee may become exercisable prior to the date on which such person commences employment.

8.5. \$100,000 Per Year Limitation. The aggregate Fair Market Value (determined as of the date the Incentive Stock Option is granted) of the Shares with respect to which all Incentive Stock Options granted under this Plan and all other "incentive stock option" plans of the Corporation, or of any Parent or Subsidiary, become exercisable for the first time by each Grantee during any calendar year shall not exceed one hundred thousand United States dollars (\$100,000) with respect to such Grantee. To the extent that the aggregate Fair Market Value of Shares with respect to which such Incentive Stock Options and any other such incentive stock options are exercisable for the first time by any Grantee during any calendar year exceeds one hundred thousand United States dollars (\$100,000), such options shall be treated as Nonqualified Stock Options. The foregoing shall be applied by taking options into account in the order in which they were granted. If the Code is amended to provide for a different limitation from that set forth in this Section 8.5, such different limitation shall be deemed incorporated herein effective as of the date and with respect to such Awards as required or permitted by such amendment to the Code. If an Option is treated as an Incentive Stock Option in part and as a Nonqualified Stock Option in part by reason of the limitation set forth in this Section 8.5, the Grantee may designate which portion of such Option the Grantee is exercising. In the absence of such designation, the Grantee shall be deemed to have exercised the Incentive Stock Option portion of the Option first. Separate certificates representing each such portion may be issued upon the exercise of the Option.

8.6. Ten Percent Shareholder. In the case of an Incentive Stock Option granted to a Ten Percent Shareholder, notwithstanding the foregoing provisions of this Section 8.6, (i) the Exercise Price shall not be less than one hundred and ten percent (110%) of the Fair Market Value of a Share on the date of grant of such Incentive Stock Option, and (ii) the Exercise Period shall not exceed five (5) years from the effective date of grant of such Incentive Stock Option.

8.7. Payment of Exercise Price. Each Award Agreement evidencing an Incentive Stock Option shall state each alternative method by which the Exercise Price thereof may be paid.

8.8. Leave of Absence. Notwithstanding Section 6.8, a Grantee's employment shall not be deemed to have terminated if the Grantee takes any leave as set forth in Section 6.8(i); provided, however, that if any such leave exceeds three (3) months, on the day that is three (3) months following the commencement of such leave any Incentive Stock Option held by the Grantee shall cease to be treated as an Incentive Stock Option and instead shall be treated thereafter as a Nonqualified Stock Option, unless the Grantee's right to return to employment is guaranteed by statute or contract.

8.9. Exercise Following Termination for Disability. Notwithstanding anything else in this Plan to the contrary, Incentive Stock Options that are not exercised within three (3) months following termination of the Grantee's employment with the Corporation or its Parent or Subsidiary or a corporation or a Parent or Subsidiary of such corporation issuing or assuming an Option in a transaction to which Section 424(a) of the Code applies, or within one year in case of termination of the Grantee's employment with the Corporation or its Parent or Subsidiary due to a Disability (within the meaning of Section 22(e)(3) of the Code), shall be deemed to be Nonqualified Stock Options.

8.10. Adjustments to Incentive Stock Options. Any Awards Agreement providing for the grant of Incentive Stock Options shall indicate that adjustments made pursuant to this Plan with respect to Incentive Stock Options could constitute a “modification” of such Incentive Stock Options (as that term is defined in Section 424(h) of the Code) or could cause adverse tax consequences for the holder of such Incentive Stock Options and that the holder should consult with his or her tax advisor regarding the consequences of such “modification” on his or her income tax treatment with respect to the Incentive Stock Option.

8.11. Notice to Corporation of Disqualifying Disposition. Each Grantee who receives an Incentive Stock Option must agree to notify the Corporation in writing immediately after the Grantee makes a Disqualifying Disposition of any Shares received pursuant to the exercise of Incentive Stock Options. A “Disqualifying Disposition” is any disposition (including any sale) of such Shares before the later of (i) two years after the date the Grantee was granted the Incentive Stock Option, or (ii) one year after the date the Grantee acquired Shares by exercising the Incentive Stock Option. If the Grantee dies before such Shares are sold, these holding period requirements do not apply and no disposition of the Shares will be deemed a Disqualifying Disposition.

9. 102 AWARDS.

Awards granted pursuant to this Section 9 are intended to constitute 102 Awards and shall be granted subject to the following special terms and conditions, the general terms and conditions specified in Section 6 hereof and other provisions of this Plan, except for any provisions of this Plan applying to Awards under different tax laws or regulations. In the event of any inconsistency or contradictions between the provisions of this Section 9 and the other terms of this Plan, this Section 9 shall prevail.

9.1. Tracks. Awards granted pursuant to this Section 9 are intended to be granted pursuant to Section 102 of the Ordinance pursuant to either (i) Section 102(b)(2) or (3) thereof (as applicable), under the capital gain track (“**102 Capital Gain Track Awards**”), or (ii) Section 102(b)(1) thereof under the ordinary income track (“**102 Ordinary Income Track Awards**”), and together with 102 Capital Gain Track Awards, “**102 Trustee Awards**”). 102 Trustee Awards shall be granted subject to the special terms and conditions contained in this Section 9, the general terms and conditions specified in Section 6 hereof and other provisions of this Plan, except for any provisions of this Plan applying to Options under different tax laws or regulations.

9.2. Election of Track. Subject to Applicable Law, the Corporation may grant only one type of 102 Trustee Awards at any given time to all Grantees who are to be granted 102 Trustee Awards pursuant to this Plan, and shall file an election with the ITA regarding the type of 102 Trustee Awards it elects to grant before the date of grant of any 102 Trustee Awards (the “**Election**”). Such Election shall also apply to any other securities, including bonus shares, received by any Grantee as a result of holding the 102 Trustee Awards. The Corporation may change the type of 102 Trustee Awards that it elects to grant only after the expiration of at least 12 months from the end of the year in which the first grant was made in accordance with the previous Election, or as otherwise provided by Applicable Law. Any Election shall not prevent the Corporation from granting Awards, pursuant to Section 102(c) of the Ordinance without a Trustee (“**102 Non-Trustee Awards**”).

9.3. Eligibility for Awards.

9.3.1. Subject to Applicable Law, 102 Awards may only be granted to an “employee” within the meaning of Section 102(a) of the Ordinance (which as of the date of the adoption of this Plan means (i) individuals employed by an Israeli company being the Corporation or any of its Affiliates, and (ii) individuals who are serving and are engaged personally (and not through an entity) as “office holders” by such an Israeli company), but may not be granted to a Controlling Shareholder (“**Eligible 102 Grantees**”). Eligible 102 Grantees may receive only 102 Awards, which may either be granted to a Trustee or granted under Section 102 of the Ordinance without a Trustee.

9.4. 102 Award Grant Date.

9.4.1. Each 102 Award will be deemed granted on the date determined by the Committee, subject to Section 9.4.2, provided that (i) the Grantee has signed all documents required by the Corporation or pursuant to Applicable Law, and (ii) with respect to 102 Trustee Award, the Corporation has provided all applicable documents to the Trustee in accordance with the guidelines published by the ITA, and if an agreement is not signed and delivered by the Grantee within 90 days from the date determined by the Committee (subject to Section 9.4.2), then such 102 Trustee Award shall be deemed granted on such later date as such agreement is signed and delivered and on which the Corporation has provided all applicable documents to the Trustee in accordance with the guidelines published by the ITA. In the case of any contradiction, this provision and the date of grant determined pursuant hereto shall supersede and be deemed to amend any date of grant indicated in any corporate resolution or Award Agreement.

9.4.2. Unless otherwise permitted by the Ordinance, any grants of 102 Trustee Awards that are made on or after the date of the adoption of this Plan or an amendment to this Plan, as the case may be, that may become effective only at the expiration of thirty (30) days after the filing of this Plan or any amendment thereof (as the case may be) with the ITA in accordance with the Ordinance shall be conditional upon the expiration of such 30-day period, such condition shall be read and is incorporated by reference into any corporate resolutions approving such grants and into any Award Agreement evidencing such grants (whether or not explicitly referring to such condition), and the date of grant shall be at the expiration of such 30-day period, whether or not the date of grant indicated therein corresponds with this Section. In the case of any contradiction, this provision and the date of grant determined pursuant hereto shall supersede and be deemed to amend any date of grant indicated in any corporate resolution or Award Agreement.

9.5. 102 Trustee Awards.

9.5.1. Each 102 Trustee Award, each Share issued pursuant to the exercise of any 102 Trustee Award, and any rights granted thereunder, including bonus shares, shall be issued to and registered in the name of the Trustee and shall be held in trust for the benefit of the Grantee for the requisite period prescribed by the Ordinance (the “**Required Holding Period**”). In the event that the requirements under Section 102 of the Ordinance to qualify an Award as a 102 Trustee Award are not met, then the Award may be treated as a 102 Non-Trustee Award or 3(i) Award, all in accordance with the provisions of the Ordinance. After expiration of the Required Holding Period, the Trustee may release such 102 Trustee Awards and any such Shares, provided that (i) the Trustee has received an acknowledgment from the ITA that the Grantee has paid any applicable taxes due pursuant to the Ordinance, or (ii) the Trustee and/or the Corporation and/or the Employer withholds all applicable taxes and compulsory payments due pursuant to the Ordinance arising from the 102 Trustee Awards and/or any Shares issued upon exercise or (if applicable) vesting of such 102 Trustee Awards. The Trustee shall not release any 102 Trustee Awards or Shares issued upon exercise or (if applicable) vesting thereof prior to the payment in full of the Grantee’s tax and compulsory payments arising from such 102 Trustee Awards and/or Shares or the withholding referred to in (ii) above.

9.5.2. Each 102 Trustee Award shall be subject to the relevant terms of the Ordinance, the Rules and any determinations, rulings or approvals issued by the ITA, which shall be deemed an integral part of the 102 Trustee Awards and shall prevail over any term contained in this Plan or Award Agreement that is not consistent therewith. Any provision of the Ordinance, the Rules and any determinations, rulings or approvals by the ITA not expressly specified in this Plan or Award Agreement that are necessary to receive or maintain any tax benefit pursuant to Section 102 of the Ordinance shall be binding on the Grantee. Any Grantee granted a 102 Trustee Awards shall comply with the Ordinance and the terms and conditions of the trust agreement entered into between the Corporation and the Trustee. The Grantee shall execute any and all documents that the Corporation and/or its Affiliates and/or the Trustee determine from time to time to be necessary in order to comply with the Ordinance and the Rules.

9.5.3. During the Required Holding Period, the Grantee shall not release from trust or sell, assign, transfer or give as collateral, the Shares issuable upon the exercise or (if applicable) vesting of a 102 Trustee Awards and/or any securities issued or distributed with respect thereto, until the expiration of the Required Holding Period. Notwithstanding the above, if any such sale, release or other action occurs during the Required Holding Period it may result in adverse tax consequences to the Grantee under Section 102 of the Ordinance and the Rules, which shall apply to and shall be borne solely by such Grantee. Subject to the foregoing, the Trustee may, pursuant to a written request from the Grantee, but subject to the terms of this Plan, release and transfer such Shares to a designated third party, provided that both of the following conditions have been fulfilled prior to such release or transfer: (i) payment has been made to the ITA of all taxes and compulsory payments required to be paid upon the release and transfer of the Shares, and confirmation of such payment has been received by the Trustee and the Corporation, and (ii) the Trustee has received written confirmation from the Corporation that all requirements for such release and transfer have been fulfilled according to the terms of the Corporation's corporate documents, any agreement governing the Shares, this Plan, the Award Agreement and any Applicable Law.

9.5.4. If a 102 Trustee Award is exercised or (if applicable) vested, the Shares issued upon such exercise or (if applicable) vesting shall be issued in the name of the Trustee for the benefit of the Grantee.

9.5.5. Upon or after receipt of a 102 Trustee Award, if required, the Grantee may be required to sign an undertaking to release the Trustee from any liability with respect to any action or decision duly taken and executed in good faith by the Trustee in relation to this Plan, or any 102 Trustee Awards or Share granted to such Grantee thereunder.

9.6. 102 Non-Trustee Awards. The foregoing provisions of this Section 9 relating to 102 Trustee Awards shall not apply with respect to 102 Non-Trustee Awards, which shall, however, be subject to the relevant provisions of Section 102 of the Ordinance and the applicable Rules. The Committee may determine that 102 Non-Trustee Awards, the Shares issuable upon the exercise or (if applicable) vesting of a 102 Non-Trustee Awards and/or any securities issued or distributed with respect thereto, shall be allocated or issued to the Trustee, who shall hold such 102 Non-Trustee Awards and all accrued rights thereon (if any), in trust for the benefit of the Grantee and/or the Corporation, as the case may be, until the full payment of tax arising from the 102 Non-Trustee Awards, the Shares issuable upon the exercise or (if applicable) vesting of a 102 Non-Trustee Awards and/or any securities issued or distributed with respect thereto. The Corporation may choose, alternatively, to force the Grantee to provide it with a guarantee or other security, to the satisfaction of each of the Trustee and the Corporation, until the full payment of the applicable taxes.

9.7. Written Grantee Undertaking. To the extent and with respect to any 102 Trustee Award, and as required by Section 102 of the Ordinance and the Rules, by virtue of the receipt of such Award, the Grantee is deemed to have provided, undertaken and confirm the following written undertaking (and such undertaking is deemed incorporated into any documents signed by the Grantee in connection with the employment or service of the Grantee and/or the grant of such Award), and which undertaking shall be deemed to apply and relate to all 102 Trustee Awards granted to the Grantee, whether under this Plan or other plans maintained by the Corporation, and whether prior to or after the date hereof.

9.7.1. The Grantee shall comply with all terms and conditions set forth in Section 102 of the Ordinance with regard to the "Capital Gain Track" or the "Ordinary Income Track", as applicable, and the applicable rules and regulations promulgated thereunder, as amended from time to time;

9.7.2. The Grantee is familiar with, and understands the provisions of, Section 102 of the Ordinance in general, and the tax arrangement under the "Capital Gain Track" or the "Ordinary Income Track" in particular, and its tax consequences; the Grantee agrees that the 102 Trustee Awards and Shares that may be issued upon exercise or (if applicable) vesting of the 102 Trustee Awards (or otherwise in relation to the 102 Trustee Awards), will be held by the Trustee appointed pursuant to Section 102 of the Ordinance for at least the duration of the "Holding Period" (as such term is defined in Section 102) under the "Capital Gain Track" or the "Ordinary Income Track", as applicable. The Grantee understands that any release of such 102 Trustee Awards or Shares from trust, or any sale of the Share prior to the termination of the Holding Period, as defined above, will result in taxation at marginal tax rate, in addition to deductions of appropriate social security, health tax contributions or other compulsory payments; and

9.7.3. The Grantee agrees to the trust agreement signed between the Corporation, the Employer and the Trustee appointed pursuant to Section 102 of the Ordinance.

10. 3(i) AWARDS.

Awards granted pursuant to this Section 10 are intended to constitute 3(i) Awards and shall be granted subject to the general terms and conditions specified in Section 6 hereof and other provisions of this Plan, except for any provisions of this Plan applying to Awards under different tax laws or regulations. In the event of any inconsistency or contradictions between the provisions of this Section 10 and the other terms of this Plan, this Section 10 shall prevail.

10.1. To the extent required by the Ordinance or the ITA or otherwise deemed by the Committee to be advisable, the 3(i) Awards and/or any shares or other securities issued or distributed with respect thereto granted pursuant to this Plan shall be issued to a Trustee nominated by the Committee in accordance with the provisions of the Ordinance or the terms of a trust agreement, as applicable. In such event, the Trustee shall hold such Awards and/or other securities issued or distributed with respect thereto in trust, until exercised or (if applicable) vested by the Grantee and the full payment of tax arising therefrom, pursuant to the Corporation's instructions from time to time as set forth in a trust agreement, which will have been entered into between the Corporation and the Trustee. If determined by the Board or the Committee, and subject to such trust agreement, the Trustee will also hold the shares issuable upon exercise or (if applicable) vesting of the 3(i) Awards, as long as they are held by the Grantee. If determined by the Board or the Committee, and subject to such trust agreement, the Trustee shall be responsible for withholding any taxes to which a Grantee may become liable upon issuance of Shares, whether due to the exercise or (if applicable) vesting of Awards.

10.2. Shares pursuant to a 3(i) Award shall not be issued, unless the Grantee delivers to the Corporation payment in cash or by bank check or such other form acceptable to the Committee of all withholding taxes due, if any, on account of the Grantee acquired Shares under the Award or gives other assurance satisfactory to the Committee of the payment of those withholding taxes.

11. RESTRICTED SHARES.

The Committee may award Restricted Shares to any eligible Grantee, including under Section 102 of the Ordinance. Each Award of Restricted Shares under this Plan shall be evidenced by a written agreement between the Corporation and the Grantee (the "**Restricted Share Agreement**"), in such form as the Committee shall from time to time approve. The Restricted Shares shall be subject to all applicable terms of this Plan, which in the case of Restricted Shares granted under Section 102 of the Ordinance shall include Section 9 hereof, and may be subject to any other terms that are not inconsistent with this Plan. The provisions of the various Restricted Shares Agreements entered into under this Plan need not be identical. The Restricted Share Agreement shall comply with and be subject to Section 6 and the following terms and conditions, unless otherwise specifically provided in such Agreement and not inconsistent with this Plan, or Applicable Law:

11.1. Purchase Price. Section 6.4 shall not apply. Each Restricted Share Agreement shall state an amount of Exercise Price to be paid by the Grantee, if any, in consideration for the issuance of the Restricted Shares and the terms of payment thereof, which may include payment in cash or, subject to the Committee's approval, by issuance of promissory notes or other evidence of indebtedness on such terms and conditions as determined by the Committee.

11.2. Restrictions. Restricted Shares may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution (in which case they shall be transferred subject to all restrictions then or thereafter applicable thereto), until such Restricted Shares shall have vested (the period from the date on which the Award is granted until the date of vesting of the Restricted Share thereunder being referred to herein as the "**Restricted Period**"). The Committee may also impose such additional or alternative restrictions and conditions on the Restricted Shares, as it deems appropriate, including the satisfaction of performance criteria (which, in case of 102 Trustee Awards, may be subject to obtaining a specific tax ruling or determination from the ITA). Such performance criteria may include, but are not limited to, sales, earnings before interest and taxes, return on investment, earnings per share, any combination of the foregoing or rate of growth of any of the foregoing, as determined by the Committee or pursuant to the provisions of any Corporation policy required under mandatory provisions of Applicable Law. Certificates for shares issued pursuant to Restricted Share Awards, if issued, shall bear an appropriate legend referring to such restrictions, and any attempt to dispose of any such shares in contravention of such restrictions shall be null and void and without effect. Such certificates may, if so determined by the Committee, be held in escrow by an escrow agent appointed by the Committee, or, if a Restricted Share Award is made pursuant to Section 102 of the Ordinance, by the Trustee. In determining the Restricted Period of an Award the Committee may provide that the foregoing restrictions shall lapse with respect to specified percentages of the awarded Restricted Shares on successive anniversaries of the date of such Award. To the extent required by the Ordinance or the ITA, the Restricted Shares issued pursuant to Section 102 of the Ordinance shall be issued to the Trustee in accordance with the provisions of the Ordinance and the Restricted Shares shall be held for the benefit of the Grantee for at least the Required Holding Period.

11.3. Forfeiture; Repurchase. Subject to such exceptions as may be determined by the Committee, if the Grantee's continuous employment with or service to the Corporation or any Affiliate thereof shall terminate for any reason prior to the expiration of the Restricted Period of an Award or prior to the timely payment in full of the Exercise Price of any Restricted Shares, any Shares remaining subject to vesting or with respect to which the purchase price has not been paid in full, shall thereupon be forfeited, transferred to, and redeemed, repurchased or cancelled by, as the case may be, in any manner as set forth in Section 6.6.2(i) through (v), subject to Applicable Law and the Grantee shall have no further rights with respect to such Restricted Shares.

11.4. Ownership. During the Restricted Period the Grantee shall possess all incidents of ownership of such Restricted Shares, subject to Section **Error! Reference source not found.** and Section 11.2, including the right to vote and receive dividends with respect to such Shares. All securities, if any, received by a Grantee with respect to Restricted Shares as a result of any stock split, stock dividend, combination of shares, or other similar transaction shall be subject to the restrictions applicable to the original Award.

12. RESTRICTED SHARE UNITS.

An RSU is an Award covering a number of Shares that is settled, if vested and (if applicable) exercised, by issuance of those Shares. An RSU may be awarded to any eligible Grantee, including under Section 102 of the Ordinance. The Award Agreement relating to the grant of RSUs under this Plan (the "**Restricted Share Unit Agreement**"), shall be in such form as the Committee shall from time to time approve. The RSUs shall be subject to all applicable terms of this Plan, which in the case of RSUs granted under Section 102 of the Ordinance shall include Section 9 hereof, and may be subject to any other terms that are not inconsistent with this Plan. The provisions of the various Restricted Share Unit Agreements entered into under this Plan need not be identical. RSUs may be granted in consideration of a reduction in the recipient's other compensation.

12.1. Exercise Price. No payment of Exercise Price shall be required as consideration for RSUs, unless included in the Award Agreement or as required by Applicable Law, and Section 6.4 shall apply, if applicable.

12.2. Shareholders' Rights. The Grantee shall not possess or own any ownership rights in the Shares underlying the RSUs and no rights as a shareholder shall exist prior to the actual issuance of Shares in the name of the Grantee.

12.3. Settlements of Awards. Settlement of vested RSUs shall be made in the form of Shares or cash (in case of 102 Trustee Awards, the settlement shall be made in the form of shares only). Distribution to a Grantee of an amount (or amounts) from settlement of vested RSUs can be deferred to a date after settlement as determined by the Committee. The amount of a deferred distribution may be increased by an interest factor or by dividend equivalents. Until the grant of RSUs is settled, the number of Shares underlying such RSUs shall be subject to adjustment pursuant hereto.

12.4. Section 409A Restrictions. Notwithstanding anything to the contrary set forth herein, any RSUs granted under this Plan that are not exempt from the requirements of Section 409A of the Code shall contain such restrictions or other provisions so that such RSUs will comply with the requirements of Section 409A of the Code, if applicable to the Corporation. Such restrictions, if any, shall be determined by the Committee and contained in the Restricted Share Unit Agreement evidencing such RSU. For example, such restrictions may include a requirement that any Shares that are to be issued in a year following the year in which the RSU vests must be issued in accordance with a fixed, pre-determined schedule.

13. OTHER SHARE OR SHARE-BASED AWARDS.

13.1. The Committee may grant other Awards under this Plan pursuant to which Shares (which may, but need not, be Restricted Shares pursuant to Section 11 hereof), cash (in settlement of Share-based Awards) or a combination thereof, are or may in the future be acquired or received, or Awards denominated in stock units, including units valued on the basis of measures other than market value.

13.2. The Committee may also grant stock appreciation rights without the grant of an accompanying option, which rights shall permit the Grantees to receive, at the time of any exercise of such rights, cash equal to the amount by which the Fair Market Value of the Shares in respect to which the right was granted is so exercised exceeds the exercise price thereof. The exercise price of any such stock appreciation right granted to a Grantee who is subject to U.S. federal income tax shall be determined in compliance with Section 7.2.

13.3. Such other Share-based Awards as set forth above may be granted alone, in addition to, or in tandem with any Award of any type granted under this Plan (without any obligation or assurance that that such Share-based Awards will be entitled to tax benefits under Applicable Law or to the same tax treatment as other Awards under this Plan).

14. EFFECT OF CERTAIN CHANGES.

14.1. General.

14.1.1. In the event of a division or subdivision of the outstanding share capital of the Corporation, any distribution of bonus shares (stock split), consolidation or combination of share capital of the Corporation (reverse stock split), reclassification with respect to the Shares or any similar recapitalization events (each, a "**Recapitalization**"), a merger (including, a reverse merger and a reverse triangular merger), consolidation, amalgamation or like transaction of the Corporation with or into another corporation, a reorganization (which may include a combination or exchange of shares, spin-off or other corporate divestiture or division, or other similar occurrences, the Committee shall have the authority to make, without the need for a consent of any holder of an Award, such adjustments as determined by the Committee to be appropriate, in its discretion, in order to adjust (i) the number and class of shares reserved and available for grants of Awards, (ii) the number and class of shares covered by outstanding Awards, (iii) the Exercise Price per share covered by any Award, (iv) the terms and conditions concerning vesting and exercisability and the term and duration of the outstanding Awards, (v) the type or class of security, asset or right underlying the Award (which need not be only that of the Corporation, and may be that of the surviving corporation or any affiliate thereof or such other entity party to any of the above transactions), and (vi) any other terms of the Award that in the opinion of the Committee should be adjusted. Any fractional shares resulting from such adjustment shall be treated as determined by the Committee, and in the absence of such determination shall be rounded to the nearest whole share, and the Corporation shall have no obligation to make any cash or other payment with respect to such fractional shares. No adjustment shall be made by reason of the distribution of subscription rights or rights offering to outstanding shares or other issuance of shares by the Corporation, unless the Committee determines otherwise. The adjustments determined pursuant to this Section 14.1 (including a determination that no adjustment is to be made) shall be final, binding and conclusive.

14.1.2. Notwithstanding anything to the contrary included herein, in the event of a distribution of cash dividend by the Corporation to all holders of Shares, the Committee shall have the authority to determine, without the need for a consent of any holder of an Award, that the Exercise Price of any Award, which is outstanding and unexercised on the record date of such distribution, shall be reduced by an amount equal to the per Share gross dividend amount distributed by the Corporation, and the Committee may determine that the Exercise Price following such reduction shall be not less than the par value of a Share. The application of this Section with respect to any 102 Awards shall be subject to obtaining a ruling from the ITA, to the extent required by applicable law and subject to the terms and conditions of any such ruling.

14.2. Merger/Sale of Corporation. In the event of (i) a sale of all or substantially all of the assets of the Corporation, or a sale (including an exchange) of all or substantially all of the shares of the Corporation, to any person, or a purchase by a shareholder of the Corporation or by an Affiliate of such shareholder, of all the shares of the Corporation held by all or substantially all other shareholders or by other shareholders who are not Affiliated with such acquiring party; (ii) a merger (including, a reverse merger and a reverse triangular merger), consolidation, amalgamation or like transaction of the Corporation with or into another corporation; (iii) a scheme of arrangement for the purpose of effecting such sale, merger, consolidation, amalgamation or other transaction; (iv) approval by the shareholders of the Corporation of a complete liquidation or dissolution of the Corporation, (v) Change in Board Event, or (vi) such other transaction or set of circumstances that is determined by the Board, in its discretion, to be a transaction subject to the provisions of this Section 14.2 excluding any of the foregoing transactions in clauses (i) through (iv) if the Board determines that such transaction should be excluded from the definition hereof and the applicability of this Section 14.2 (such transaction, a “**Merger/Sale**”), then, without derogating from the general authority and power of the Board or the Committee under this Plan, without the Grantee’s consent and action and without any prior notice requirement, the Committee may make any determination as to the treatment of Awards, in its sole and absolute discretion, as provided herein:

14.2.1. Unless otherwise determined by the Committee, any Award then outstanding shall be assumed or be substituted by the Corporation, or by the successor corporation in such Merger/Sale or by any parent or Affiliate thereof, as determined by the Committee in its discretion (the “**Successor Corporation**”), under terms as determined by the Committee or the terms of this Plan applied by the Successor Corporation to such assumed or substituted Awards.

For the purposes of this Section 14.2.1, the Award shall be considered assumed or substituted if, following a Merger/Sale, the Award confers on the holder thereof the right to purchase or receive, for each Share underlying an Award immediately prior to the Merger/Sale, either (i) the consideration (whether shares or other securities, cash or other property, or rights, or any combination thereof) distributed to or received by holders of Shares in the Merger/Sale for each Share held on the effective date of the Merger/Sale (and if holders were offered a choice or several types of consideration, the type of consideration as determined by the Committee, which need not be the same type for all Grantees), or (ii) regardless of the consideration received by the holders of Shares in the Merger/Sale, solely shares or any type of Awards (or their equivalent) of the Successor Corporation at a value to be determined by the Committee in its discretion, or a certain type of consideration (whether shares or other securities, cash or other property, or rights, or any combination thereof) as determined by the Committee. Any of the consideration referred to in the foregoing clauses (i) and (ii) shall be subject to the same vesting and expiration terms of the Awards applying immediately prior to the Merger/Sale, unless determined by the Committee, in its discretion, that the consideration shall be subject to different vesting and expiration terms, or other terms, and the Committee may determine that it be subject to other or additional terms. The foregoing shall not limit the Committee’s authority to determine that in lieu of such assumption or substitution of Awards for Awards of the Successor Corporation, such Award will be substituted for shares or other securities, cash or other property, or rights, or any combination thereof, including as set forth in Section 14.2.2 hereunder.

14.2.2. Regardless of whether or not Awards are assumed or substituted, the Committee may (but shall not be obligated to):

14.2.2.1. provide for the Grantee to have the right to exercise the Award in respect of Shares covered by the Award which would otherwise be exercisable or vested, under such terms and conditions as the Committee shall determine, and the cancellation of all unexercised Awards (whether vested or unvested) upon or immediately prior to the closing of the Merger/Sale, unless the Committee provides for the Grantee to have the right to exercise the Award, or otherwise for the acceleration of vesting of such Award, as to all or part of the Shares covered by the Award which would not otherwise be exercisable or vested, under such terms and conditions as the Committee shall determine;

14.2.2.2. provide for the cancellation of each outstanding Award at or immediately prior to the closing of such Merger/Sale, and if and to the extent payment shall be made to the Grantee of an amount in shares or other securities of the Corporation, the acquiror or of a corporation or other business entity which is a party to the Merger/Sale, cash or other property, or rights, or any combination thereof, as determined by the Committee to be fair in the circumstances, and subject to such terms and conditions as determined by the Committee. The Committee shall have full authority to select the method for determining the payment (being the intrinsic ("spread") value of the option, Black-Scholes model or any other method). *Inter alia*, and without limitation of the following determination being made in other circumstances, the Committee's determination may provide that payment shall be set to zero if the value of the Shares is determined to be less than the Exercise Price, or in respect of Shares covered by the Award which would not otherwise be exercisable or vested, or that payment may be made only in excess of the Exercise Price; and/or

14.2.2.3. provide that the terms of any Award shall be otherwise amended, modified or terminated, as determined by the Committee to be fair in the circumstances.

14.2.3. The Committee may determine: (i) that any payments made in respect of Awards shall be made or delayed to the same extent that payment of consideration to the holders of the Shares in connection with the Merger/Sale is made or delayed as a result of escrows, indemnification, earn outs, holdbacks or any other contingencies or conditions; (ii) the terms and conditions applying to the payment made or payable to the Grantees, including participation in escrow, indemnification, releases, earn-outs, holdbacks or any other contingencies; and (iii) that any terms and conditions applying under the applicable definitive transaction agreements shall apply to the Grantees (including, appointment and engagement of a shareholders or sellers representative, payment of fees or other costs and expenses associated with such services, indemnifying such representative, and authorization to such representative within the scope of such representative's authority in the applicable definitive transaction agreements).

14.2.4. The Committee may determine to suspend the Grantee's rights to exercise any vested portion of an Award for a period of time prior to the signing or consummation of a Merger/Sale transaction.

14.2.5. Without limiting the generality of this Section 14, if the consideration in exchange for Awards in a Merger/Sale includes any securities and due receipt thereof by any Grantee (or by the Trustee for the benefit of such Grantee) may require under applicable law (i) the registration or qualification of such securities or of any person as a broker or dealer or agent with respect to such securities; or (ii) the provision to any Grantee of any information under the Securities Act or any other securities laws, then the Committee may determine that the Grantee shall be paid in lieu thereof, against surrender of the Shares or cancellation of any other Awards, an amount in cash or other property, or rights, or any combination thereof, as determined by the Committee to be fair in the circumstances, and subject to such terms and conditions as determined by the Committee. Nothing herein shall entitle any Grantee to receive any form of consideration that such Grantee would be ineligible to receive as a result of such Grantee's failure to satisfy (in the Committee's sole determination) any condition, requirement or limitation that is generally applicable to the Corporation's shareholders, or that is otherwise applicable under the terms of the Merger/Sale, and in such case, the Committee shall determine the type of consideration and the terms applying to such Grantees.

14.2.6. Neither the authorities and powers of the Committee under this Section 14.2, nor the exercise or implementation thereof, shall (i) be restricted or limited in any way by any adverse consequences (tax or otherwise) that may result to any holder of an Award, and (ii) as, *inter alia*, being a feature of the Award upon its grant, be deemed to constitute a change or an amendment of the rights of such holder under this Plan, nor shall any such adverse consequences (as well as any adverse tax consequences that may result from any tax ruling or other approval or determination of any relevant tax authority) be deemed to constitute a change or an amendment of the rights of such holder under this Plan, and may be effected without consent of any Grantee and without any liability to the Corporation or its Affiliates, or to their respective officers, directors, employees and representatives, and the respective successors and assigns of any of the foregoing. The Committee need not take the same action with respect to all Awards or with respect to all Service Providers. The Committee may take different actions with respect to the vested and unvested portions of an Award. The Committee may determine an amount or type of consideration to be received or distributed in a Merger/Sale which may differ as among the Grantees, and as between the Grantees and any other holders of shares of the Corporation.

14.2.7. The Committee may determine that upon a Merger/Sale any Shares held by Grantees (or for Grantee's benefit) are sold in accordance with instructions issued by the Committee in connection with such Merger/Sale, which shall be final, conclusive and binding on all Grantees.

14.2.8. All of the Committee's determinations pursuant to this Section 14 shall be at its sole and absolute discretion, and shall be final, conclusive and binding on all Grantees (including, for clarity, as it relates to Shares issued upon exercise or vesting of any Awards or that are Awards, unless otherwise determined by the Committee) and without any liability to the Corporation or its Affiliates, or to their respective officers, directors, employees, shareholders and representatives, and the respective successors and assigns of any of the foregoing, in connection with the method of treatment, chosen course of action or determinations made hereunder.

14.2.9. If determined by the Committee, the Grantees shall be subject to the definitive agreement(s) in connection with the Merger/Sale as applying to holders of Shares including, such terms, conditions, representations, undertakings, liabilities, limitations, releases, indemnities, appointing and indemnifying shareholders/sellers representative, participating in transaction expenses, shareholders/sellers representative expense fund and escrow arrangement, in each case as determined by the Committee. Each Grantee shall execute (and authorizes any person designated by the Corporation to so execute, as well as (if applicable) the Trustee holding any Shares for the Grantee's behalf) such separate agreement(s) or instruments as may be requested by the Corporation, the Successor Corporation or the acquiror in connection with such in such Merger/Sale or otherwise under or for the purpose of implementing this Section 14.2, and in the form required by them. The execution of such separate agreement(s) may be a condition to the receipt of assumed or substituted Awards, payment in lieu of the Award, the exercise of any Award or otherwise to be entitled to benefit from shares or other securities, cash or other property, or rights, or any combination thereof, pursuant to this Section 14.2 (and the Corporation (and, if applicable, the Trustee) may exercise its authorization above and sign such agreement on behalf of the Grantee or subject the Grantee to the provisions of such agreements).

14.3. Reservation of Rights. Except as expressly provided in this Section 14 (if any), the Grantee of an Award hereunder shall have no rights by reason of any Recapitalization of shares of any class, any increase or decrease in the number of shares of any class, or any dissolution, liquidation, reorganization (which may include a combination or exchange of shares, spin-off or other corporate divestiture or division, or other similar occurrences), or Merger/Sale. Any issue by the Corporation of shares of any class, or securities convertible into shares of stock of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number, type or price of shares subject to an Award. The grant of an Award pursuant to this Plan shall not affect in any way the right or power of the Corporation to make adjustments, reclassifications, reorganizations or changes of its capital or business structures or to merge or to consolidate or to dissolve, liquidate or sell, or transfer all or part of its business or assets or engage in any similar transactions.

15. NON-TRANSFERABILITY OF AWARDS; SURVIVING BENEFICIARY.

15.1. All Awards granted under this Plan by their terms shall not be transferable, other than by will or by the laws of descent and distribution, unless otherwise determined by the Committee or under this Plan, provided that with respect to Shares issued upon exercise, Shares issued upon the vesting of Awards or Awards that are Shares, the restrictions on transfer shall be the restrictions referred to in Section 16 (Conditions upon Issuance of Shares) hereof. Subject to the above provisions, the terms of such Award, this Plan and any applicable Award Agreement shall be binding upon the beneficiaries, executors, administrators, heirs and successors of such Grantee. Awards may be exercised or otherwise realized, during the lifetime of the Grantee, only by the Grantee or by his guardian or legal representative, to the extent provided for herein. Any transfer of an Award not permitted hereunder (including transfers pursuant to any decree of divorce, dissolution or separate maintenance, any property settlement, any separation agreement or any other agreement with a spouse) and any grant of any interest in any Award to, or creation in any way of any direct or indirect interest in any Award by, any party other than the Grantee shall be null and void and shall not confer upon any party or person, other than the Grantee, any rights. A Grantee may file with the Committee a written designation of a beneficiary, who shall be permitted to exercise such Grantee's Award or to whom any benefit under this Plan is to be paid, in each case, in the event of the Grantee's death before he or she fully exercises his or her Award or receives any or all of such benefit, on such form as may be prescribed by the Committee and may, from time to time, amend or revoke such designation. If no designated beneficiary survives the Grantee, the executor or administrator of the Grantee's estate shall be deemed to be the Grantee's beneficiary. Notwithstanding the foregoing, upon the request of the Grantee and subject to Applicable Law the Committee, at its sole discretion, may permit the Grantee to transfer the Award to a trust whose beneficiaries are the Grantee and/or the Grantee's immediate family members (all or several of them).

15.2. Notwithstanding any other provisions of the Plan to the contrary, no Incentive Stock Option may be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution or in accordance with a beneficiary designation pursuant to Section 15.1. Further, all Incentive Stock Options granted to a Grantee shall be exercisable during his or her lifetime only by such Grantee.

15.3. As long as the Shares are held by the Trustee in favor of the Grantee, all rights possessed by the Grantee over the Shares are personal, and may not be transferred, assigned, pledged or mortgaged, other than by will or laws of descent and distribution.

15.4. If and to the extent a Grantee is entitled to transfer an Award and/or Shares underlying an Award in accordance with the terms of the Plan and any other applicable agreements, such transfer shall be subject (in addition, to any other conditions or terms applying thereto) to receipt by the Corporation from such proposed transferee of a written instrument, on a form reasonably acceptable to the Corporation, pursuant to which such proposed transferee agrees to be bound by all provisions of the Plan and any other applicable agreements, including without limitation, any restrictions on transfer of the Award and/or Shares set forth herein (however, failure to so deliver such instrument to the Corporation as set forth above shall not derogate from all such provisions applying on any transferee).

15.5. The provisions of this Section 15 shall apply to the Grantee and to any purchaser, assignee or transferee of any Shares.

16. CONDITIONS UPON ISSUANCE OF SHARES; GOVERNING PROVISIONS.

16.1. Legal Compliance. The grant of Awards and the issuance of Shares upon exercise or settlement of Awards shall be subject to compliance with all Applicable Law as determined by the Corporation, including, applicable requirements of federal, state and foreign law with respect to such securities. The Corporation shall have no obligations to issue Shares pursuant to the exercise or settlement of an Award and Awards may not be exercised or settled, if the issuance of Shares upon exercise or settlement would constitute a violation of any Applicable Law as determined by the Corporation, including, applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Shares may then be listed. In addition, no Award may be exercised unless (i) a registration statement under the Securities Act or equivalent law in another jurisdiction shall at the time of exercise or settlement of the Award be in effect with respect to the shares issuable upon exercise of the Award, or (ii) in the opinion of legal counsel to the Corporation, the shares issuable upon exercise of the Award may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act or equivalent law in another jurisdiction. The inability of the Corporation to obtain authority from any regulatory body having jurisdiction, if any, deemed by the Corporation to be necessary to the lawful issuance and sale of any Shares hereunder, and the inability to issue Shares hereunder due to non-compliance with any Corporation policies with respect to the sale of Shares, shall relieve the Corporation of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority or compliance shall not have been obtained or achieved. As a condition to the exercise of an Award, the Corporation may require the person exercising such Award to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any Applicable Law or regulation and to make any representation or warranty with respect thereto as may be requested by the Corporation, including to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares, all in form and content specified by the Corporation.

16.2. Provisions Governing Shares. Shares issued pursuant to an Award shall be subject to this Plan (unless otherwise determined by the Committee), and shall be subject to the Charter and Bylaws of the Corporation, any limitation, restriction or obligation included in any shareholders agreement applicable to all or substantially all of the holders of shares (regardless of whether or not the Grantee is a formal party to such shareholders agreement), any other governing documents of the Corporation, all policies, manuals and internal regulations adopted by the Corporation from time to time, in each case, as may be amended from time to time, including any provisions included therein concerning restrictions or limitations on disposition of Shares (such as, but not limited to, right of first refusal and lock up/market stand-off) or grant of any rights with respect thereto, forced sale and bring along/drag along provisions, any provisions concerning restrictions on the use of inside information and other provisions deemed by the Corporation to be appropriate in order to ensure compliance with Applicable Law. Each Grantee shall execute (and authorizes any person designated by the Corporation to so execute, as well as (if applicable) the Trustee holding any Shares for the Grantee's behalf) such separate agreement(s) as may be requested by the Corporation relating to matters set forth in or otherwise for the purpose of implementing this Section 16.2. The execution of such separate agreement(s) may be a condition by the Corporation to the exercise of any Award and the Corporation (and, if applicable, the Trustee) may exercise its authorization above and sign such agreement on behalf of the Grantee or subject the Grantee to the provisions of such agreements.

16.3. Share Purchase Transactions: Forced Sale. In the event that the Board approves a Merger/Sale effected by way of a forced or compulsory sale or in the event of a transaction for the sale of all shares of the Corporation, then, without derogating from such provisions and in addition thereto, the Grantee shall be obligated, and shall be deemed to have agreed to the offer to effect the Merger/Sale (and the Shares held by or for the benefit of the Grantee shall be included in the shares of the Corporation approving the terms of such Merger/Sale for the purpose of satisfying the required majority), and shall sell all of the Shares held by or for the benefit of the Grantee on the terms and conditions applying to the holders of Shares, in accordance with the instructions then issued by the Board, whose determination shall be final. No Grantee shall contest, bring any claims or demands, or exercise any appraisal rights related to any of the foregoing. Each Grantee shall execute (and authorizes any person designated by the Corporation to so execute, as well as (if applicable) the Trustee holding any Shares for the Grantee's behalf) such documents and agreements, as may be requested by the Corporation relating to matters set forth in or otherwise for the purpose of implementing this Section 16.3. The execution of such separate agreement(s) may be a condition by the Corporation to the exercise of any Award and the Corporation (and, if applicable, the Trustee) may exercise its authorization above and sign such agreement on behalf of the Grantee or subject the Grantee to the provisions of such agreements.

16.4. Data Privacy; Data Transfer. Information related to Grantees and Awards hereunder, as shall be received from Grantee or others, and/or held by, the Corporation or its Affiliates from time to time, and which information may include sensitive and personal information related to Grantees ("**Information**"), will be used by the Corporation or its Affiliates (or third parties appointed by any of them, including the Trustee) to comply with any applicable legal requirement, or for administration of the Plan as they deems necessary or advisable, or for the respective business purposes of the Corporation or its Affiliates (including in connection with transactions related to any of them). The Corporation and its Affiliates shall be entitled to transfer the Information among the Corporation or its Affiliates, and to third parties for the purposes set forth above, which may include persons located abroad (including, any person administering the Plan or providing services in respect of the Plan or in order to comply with legal requirements, or the Trustee, their respective officers, directors, employees and representatives, and the respective successors and assigns of any of the foregoing), and any person so receiving Information shall be entitled to transfer it for the purposes set forth above. The Corporation shall use commercially reasonable efforts to ensure that the transfer of such Information shall be limited to the reasonable and necessary scope. By receiving an Award hereunder, Grantee acknowledges and agrees that the Information is provided at Grantee's free will and Grantee consents to the storage and transfer of the Information as set forth above.

17. **MARKET STAND-OFF**

17.1. In connection with any underwritten public offering of equity securities of the Corporation pursuant to an effective registration statement filed under the Securities Act or equivalent law in another jurisdiction, the Grantee shall not directly or indirectly, without the prior written consent of the Corporation or its underwriters, (i) lend, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any Shares or other Awards, any securities of the Corporation (whether or not such Shares were acquired under this Plan), or any securities convertible into or exercisable or exchangeable (directly or indirectly) for Shares or securities of the Corporation and any other shares or securities issued or distributed in respect thereto or in substitution thereof (collectively, “**Securities**”), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Securities, whether any such transaction described in the foregoing clauses (i) or (ii) is to be settled by delivery of Securities, in cash or otherwise. The foregoing provisions of this Section 17.1 shall not apply to the sale of any shares to an underwriter pursuant to an underwriting agreement. Such restrictions (the “**Market Stand-Off**”) shall be in effect for such period of time (the “**Market Stand-Off Period**”): (A) following the first public filing of the registration statement relating to the underwritten public offering until the expiration of up to 180 days following the effective date of such registration statement relating to the Corporation’s public offering; or (B) such other period as shall be requested by the Corporation or the underwriters. Notwithstanding anything herein to the contrary, if the underwriter(s) and the Corporation agree on a termination date of the Market Stand-Off Period in the event of failure to consummate a certain public offering, then such termination shall apply also to the Market Stand-Off Period hereunder with respect to that particular public offering.

17.2. In the event of a subdivision of the outstanding share capital of the Corporation, the distribution of any securities (whether or not of the Corporation), whether as bonus shares or otherwise, and whether as dividend or otherwise, a recapitalization, a reorganization (which may include a combination or exchange of shares or a similar transaction affecting the Corporation’s outstanding securities without receipt of consideration), a consolidation, a spin-off or other corporate divestiture or division, a reclassification or other similar occurrence, any new, substituted or additional securities which are by reason of such transaction distributed with respect to any Shares subject to the Market Stand-Off, or into which such Shares thereby become convertible, shall immediately be subject to the Market Stand-Off.

17.3. In order to enforce the Market Stand-Off, the Corporation may impose stop-transfer instructions with respect to the Shares acquired under this Plan until the end of the applicable Market Stand- Off period.

17.4. The underwriters in connection with a registration statement so filed are intended third party beneficiaries of this Section 17 and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto. Each Grantee shall execute such separate agreement(s) as may be requested by the Corporation or the underwriters in connection with such registration statement and in the form required by them, relating to Market Stand-Off (which need not be identical to the provisions of this Section 17, and may include such additional provisions and restrictions as the underwriters deem advisable) or that are necessary to give further effect thereto. The execution of such separate agreement(s) may be a condition by the Corporation to the exercise of any Award.

17.5. Without derogating from the above provisions of this Section 17 or elsewhere in this Plan, the provisions of this Section 17 shall apply to the Grantee and the Grantee’s heirs, legal representatives, successors, assigns, and to any purchaser, assignee or transferee of any Awards or Shares.

18. **AGREEMENT REGARDING TAXES; DISCLAIMER.**

18.1. If the Corporation shall so require, as a condition of exercise or (if applicable) vesting of an Award, the release of Shares by the Trustee or the expiration of the Restricted Period, a Grantee shall agree that, no later than the date of such occurrence, the Grantee will pay to the Corporation (or the Trustee, as applicable) or make arrangements satisfactory to the Corporation and the Trustee (if applicable) regarding payment of any applicable taxes and compulsory payments of any kind required by Applicable Law to be withheld or paid.

18.2. **TAX LIABILITY.** ALL TAX CONSEQUENCES UNDER ANY APPLICABLE LAW WHICH MAY ARISE FROM THE GRANT OF ANY AWARDS OR THE EXERCISE OR (IF APPLICABLE) VESTING THEREOF, THE SALE OR DISPOSITION OF ANY SHARES GRANTED HEREUNDER OR ISSUED UPON EXERCISE OR (IF APPLICABLE) THE VESTING OF ANY AWARD, THE ASSUMPTION, SUBSTITUTION, CANCELLATION OR PAYMENT IN LIEU OF AWARDS OR FROM ANY OTHER ACTION IN CONNECTION WITH THE FOREGOING (INCLUDING WITHOUT LIMITATION ANY TAXES AND COMPULSORY PAYMENTS, SUCH AS SOCIAL SECURITY OR HEALTH TAX PAYABLE BY THE GRANTEE OR THE COMPANY IN CONNECTION THEREWITH) SHALL BE BORNE AND PAID SOLELY BY THE GRANTEE, AND THE GRANTEE SHALL INDEMNIFY THE COMPANY, ITS SUBSIDIARIES AND AFFILIATES AND THE TRUSTEE, AND SHALL HOLD THEM HARMLESS AGAINST AND FROM ANY LIABILITY FOR ANY SUCH TAX OR PAYMENT OR ANY PENALTY, INTEREST OR INDEXATION THEREON. EACH GRANTEE AGREES TO, AND UNDERTAKES TO COMPLY WITH, ANY RULING, SETTLEMENT, CLOSING AGREEMENT OR OTHER SIMILAR AGREEMENT OR ARRANGEMENT WITH ANY TAX AUTHORITY IN CONNECTION WITH THE FOREGOING WHICH IS APPROVED BY THE COMPANY.

18.3. **NO TAX ADVICE.** THE GRANTEE IS ADVISED TO CONSULT WITH A TAX ADVISOR WITH RESPECT TO THE TAX CONSEQUENCES OF RECEIVING, EXERCISING OR DISPOSING OF AWARDS HEREUNDER. THE COMPANY DOES NOT ASSUME ANY RESPONSIBILITY TO ADVISE THE GRANTEE ON SUCH MATTERS, WHICH SHALL REMAIN SOLELY THE RESPONSIBILITY OF THE GRANTEE.

18.4. **TAX TREATMENT.** THE COMPANY AND ITS AFFILIATES (INCLUDING THE EMPLOYER) DO NOT UNDERTAKE OR ASSUME ANY LIABILITY OR RESPONSIBILITY TO THE EFFECT THAT ANY AWARD SHALL QUALIFY WITH ANY PARTICULAR TAX REGIME OR RULES APPLYING TO PARTICULAR TAX TREATMENT, OR BENEFIT FROM ANY PARTICULAR TAX TREATMENT OR TAX ADVANTAGE OF ANY TYPE AND THE COMPANY AND ITS AFFILIATES (INCLUDING THE EMPLOYER) SHALL BEAR NO LIABILITY IN CONNECTION WITH THE MANNER IN WHICH ANY AWARD IS TREATED FOR TAX PURPOSES, REGARDLESS OF WHETHER THE AWARD WAS GRANTED OR WAS INTENDED TO QUALIFY UNDER ANY PARTICULAR TAX REGIME OR TREATMENT. THIS PROVISION SHALL SUPERSEDE ANY TYPE OF AWARDS OR TAX QUALIFICATION INDICATED IN ANY CORPORATE RESOLUTION OR AWARD AGREEMENT, WHICH SHALL AT ALL TIMES BE SUBJECT TO THE REQUIREMENTS OF APPLICABLE LAW. THE COMPANY AND ITS AFFILIATES (INCLUDING THE EMPLOYER) DO NOT UNDERTAKE AND SHALL NOT BE REQUIRED TO TAKE ANY ACTION IN ORDER TO QUALIFY ANY AWARD WITH THE REQUIREMENT OF ANY PARTICULAR TAX TREATMENT AND NO INDICATION IN ANY DOCUMENT TO THE EFFECT THAT ANY AWARD IS INTENDED TO QUALIFY FOR ANY TAX TREATMENT SHALL IMPLY SUCH AN UNDERTAKING. THE COMPANY AND ITS AFFILIATES (INCLUDING THE EMPLOYER) DO NOT UNDERTAKE TO REPORT FOR TAX PURPOSES ANY AWARD IN ANY PARTICULAR MANNER, INCLUDING IN ANY MANNER CONSISTENT WITH ANY PARTICULAR TAX TREATMENT. NO ASSURANCE IS MADE BY THE COMPANY OR ANY OF ITS AFFILIATES (INCLUDING THE EMPLOYER) THAT ANY PARTICULAR TAX TREATMENT ON THE DATE OF GRANT WILL CONTINUE TO EXIST OR THAT THE AWARD WOULD QUALIFY AT THE TIME OF EXERCISE, VESTING OR DISPOSITION THEREOF WITH ANY PARTICULAR TAX TREATMENT. THE COMPANY AND ITS AFFILIATES (INCLUDING THE EMPLOYER) SHALL NOT HAVE ANY LIABILITY OR OBLIGATION OF ANY NATURE IN THE EVENT THAT AN AWARD DOES NOT QUALIFY FOR ANY PARTICULAR TAX TREATMENT, REGARDLESS WHETHER THE COMPANY COULD HAVE OR SHOULD HAVE TAKEN ANY ACTION TO CAUSE SUCH QUALIFICATION TO BE MET AND SUCH QUALIFICATION REMAINS AT ALL TIMES AND UNDER ALL CIRCUMSTANCES AT THE RISK OF THE GRANTEE. THE COMPANY DOES NOT UNDERTAKE OR ASSUME ANY LIABILITY TO CONTEST A DETERMINATION OR INTERPRETATION (WHETHER WRITTEN OR UNWRITTEN) OF ANY TAX AUTHORITIES, INCLUDING IN RESPECT OF THE QUALIFICATION UNDER ANY PARTICULAR TAX REGIME OR RULES APPLYING TO PARTICULAR TAX TREATMENT. IF THE AWARDS DO NOT QUALIFY UNDER ANY PARTICULAR TAX TREATMENT IT COULD RESULT IN ADVERSE TAX CONSEQUENCES TO THE GRANTEE.

18.5. The Corporation or any Subsidiary or Affiliate (including the Employer) may take such action as it may deem necessary or appropriate, in its discretion, for the purpose of or in connection with withholding of any taxes and compulsory payments which the Trustee, the Corporation or any Subsidiary or Affiliate (including the Employer) (or any applicable agent thereof) is required by any Applicable Law to withhold in connection with any Awards, including, without limitations, any income tax, social benefits, social insurance, health tax, pension, payroll tax, fringe benefits, excise tax, payment on account or other tax-related items related to the Participant's participation in the Plan and applicable by law to the Participant (collectively, "**Withholding Obligations**"). Such actions may include (i) requiring a Grantees to remit to the Corporation or the Employer in cash an amount sufficient to satisfy such Withholding Obligations and any other taxes and compulsory payments, payable by the Corporation or the Employer in connection with the Award or the exercise or (if applicable) the vesting thereof; (ii) subject to Applicable Law, allowing the Grantees to surrender Shares to the Corporation, in an amount that at such time, reflects a value that the Committee determines to be sufficient to satisfy such Withholding Obligations; (iii) withholding Shares otherwise issuable upon the exercise of an Award at a value which is determined by the Corporation to be sufficient to satisfy such Withholding Obligations; or (iv) any combination of the foregoing. The Corporation shall not be obligated to allow the exercise or vesting of any Award by or on behalf of a Grantee until all tax consequences arising therefrom are resolved in a manner acceptable to the Corporation.

18.6. Each Grantee shall notify the Corporation in writing promptly and in any event within ten (10) days after the date on which such Grantee first obtains knowledge of any tax authority inquiry, audit, assertion, determination, investigation, or question relating in any manner to the Awards granted or received hereunder or Shares issued thereunder and shall continuously inform the Corporation of any developments, proceedings, discussions and negotiations relating to such matter, and shall allow the Corporation and its representatives to participate in any proceedings and discussions concerning such matters. Upon request, a Grantee shall provide to the Corporation any information or document relating to any matter described in the preceding sentence, which the Corporation, in its discretion, requires.

18.7. With respect to 102 Non-Trustee Options, if the Grantee ceases to be employed by the Corporation, Parent, Subsidiary or any Affiliate (including the Employer), the Grantee shall extend to the Corporation and/or the Employer a security or guarantee for the payment of taxes due at the time of sale of Shares, all in accordance with the provisions of Section 102 of the Ordinance and the Rules.

18.8. If a Grantee makes an election under Section 83(b) of the Code to be taxed with respect to an Award as of the date of transfer of Shares rather than as of the date or dates upon which the Grantee would otherwise be taxable under Section 83(a) of the Code, such Grantee shall deliver a copy of such election to the Corporation upon or prior to the filing such election with the U.S. Internal Revenue Service. Neither the Corporation nor any Affiliate (including the Employer) shall have any liability or responsibility relating to or arising out of the filing or not filing of any such election or any defects in its construction.

19. **RIGHTS AS A SHAREHOLDER; VOTING AND DIVIDENDS.**

19.1. Subject to Section 11.4, a Grantee shall have no rights as a shareholder of the Corporation with respect to any Shares covered by an Award until the Grantee shall have exercised or (as applicable) vests in the Award, paid any Exercise Price therefor and becomes the record holder of the subject Shares. In the case of 102 Awards, the Trustee shall have no rights as a shareholder of the Corporation with respect to the Shares covered by such Award until the Trustee becomes the record holder for such Shares for the Grantee's benefit, and the Grantee shall not be deemed to be a shareholder and shall have no rights as a shareholder of the Corporation with respect to the Shares covered by the Award until the date of the release of such Shares from the Trustee to the Grantee and the transfer of record ownership of such Shares to the Grantee (provided, however, that the Grantee shall be entitled to receive from the Trustee any cash dividend or distribution made on account of the Shares held by the Trustee for such Grantee's benefit, subject to any tax withholding and compulsory payment). No adjustment shall be made for dividends (ordinary or extraordinary, whether in shares or other securities, cash or other property, or rights, or any combination thereof) or distribution of other rights for which the record date is prior to the date on which the Grantee or Trustee (as applicable) becomes the record holder of the Shares covered by an Award, except as provided in Section 14 hereof.

19.2. With respect to all Awards issued in the form of Shares hereunder or upon the exercise or (if applicable) the vesting of Awards hereunder, any and all voting rights attached to such Shares shall be subject to Section **Error! Reference source not found.**, and the Grantee shall be entitled to receive dividends distributed with respect to such Shares, subject to the provisions of the Corporation's Charter and Bylaws, as amended from time to time, and subject to any Applicable Law.

19.3. The Corporation may, but shall not be obligated to, register or qualify the sale of Shares under any applicable securities law or any other Applicable Law.

20. NO REPRESENTATION BY COMPANY.

By granting the Awards, the Corporation is not, and shall not be deemed as, making any representation or warranties to the Grantee regarding the Corporation, its business affairs, its prospects or the future value of its Shares and such representations and warranties are hereby disclaimed. The Corporation shall not be required to provide to any Grantee any information, documents or material in connection with the Grantee's considering an exercise of an Award. To the extent that any information, documents or materials are provided, the Corporation shall have no liability with respect thereto. Any decision by a Grantee to exercise an Award shall solely be at the risk of the Grantee.

21. NO RETENTION RIGHTS.

Nothing in this Plan, any Award Agreement or in any Award granted or agreement entered into pursuant hereto shall confer upon any Grantee the right to continue in the employ of, or be in the service of the Corporation or any Subsidiary or Affiliate thereof as a Service Provider or to be entitled to any remuneration or benefits not set forth in this Plan or such agreement, or to interfere with or limit in any way the right of the Corporation or any such Subsidiary or Affiliate to terminate such Grantee's employment or service (including, any right of the Corporation or any of its Affiliates to immediately cease the Grantee's employment or service or to shorten all or part of the notice period, regardless of whether notice of termination was given by the Corporation or its Affiliates or by the Grantee). Awards granted under this Plan shall not be affected by any change in duties or position of a Grantee, subject to Sections 6.6 through 6.8. No Grantee shall be entitled to claim and the Grantee hereby waives any claim against the Corporation or any Subsidiary or Affiliate that he or she was prevented from continuing to vest Awards as of the date of termination of his or her employment with, or services to, the Corporation or any Subsidiary or Affiliate. No Grantee shall be entitled to any compensation in respect of the Awards which would have vested had such Grantee's employment or engagement with the Corporation (or any Subsidiary or Affiliate) not been terminated.

22. PERIOD DURING WHICH AWARDS MAY BE GRANTED.

Awards may be granted pursuant to this Plan from time to time within a period of ten (10) years from the Effective Date, which period may be extended from time to time by the Board. From and after such date (as extended) no grants of Awards may be made and this Plan shall continue to be in full force and effect with respect to Awards or Shares issued thereunder that remain outstanding.

23. AMENDMENT OF THIS PLAN AND AWARDS.

23.1. The Board at any time and from time to time may suspend, terminate, modify or amend this Plan, whether retroactively or prospectively. Any amendment effected in accordance with this Section shall be binding upon all Grantees and all Awards, whether granted prior to or after the date of such amendment, and without the need to obtain the consent of any Grantee. No termination or amendment of this Plan shall affect any then outstanding Award unless expressly provided by the Board.

23.2. Subject to changes in Applicable Law that would permit otherwise, without the approval of the Corporation's shareholders, there shall be (i) no increase in the maximum aggregate number of Shares that may be issued under this Plan as Incentive Stock Options (except by operation of the provisions of Section 14.1), (ii) no change in the class of persons eligible to receive Incentive Stock Options, and (iii) no other amendment of this Plan that would require approval of the Corporation's shareholders under any Applicable Law. Unless not permitted by Applicable Law, if the grant of an Award is subject to approval by shareholders, the date of grant of the Award shall be determined as if the Award had not been subject to such approval. Failure to obtain approval by the shareholders shall not in any way derogate from the valid and binding effect of any grant of an Award that is not an Incentive Stock Option.

23.3. The Board or the Committee at any time and from time to time may modify or amend any Award theretofore granted, including any Award Agreement, whether retroactively or prospectively.

24. **APPROVAL.**

24.1. This Plan shall take effect upon its adoption by the Board (the "**Effective Date**").

24.2. Solely with respect to grants of Incentive Stock Options, this Plan shall also be subject to shareholders' approval, within one year of the Effective Date, by a majority of the votes cast on the proposal at a meeting or a written consent of shareholders (however, if the grant of an Award is subject to approval by shareholders, the date of grant of the Award shall be determined as if the Award had not been subject to such approval). Failure to obtain such approval by the shareholders within such period shall not in any way derogate from the valid and binding effect of any grant of an Award, except that any Options previously granted under this Plan may not qualify as Incentive Stock Options but, rather, shall constitute Nonqualified Stock Options. Upon approval of this Plan by the shareholders of the Corporation as set forth above, all Incentive Stock Options granted under this Plan on or after the Effective Date shall be fully effective as if the shareholders of the Corporation had approved this Plan on the Effective Date.

24.3. 102 Awards are conditional upon the filing with or approval by the ITA, if required, as set forth in Section 9.49. Failure to so file or obtain such approval shall not in any way derogate from the valid and binding effect of any grant of an Award, which is not a 102 Award.

25. **RULES PARTICULAR TO SPECIFIC COUNTRIES; SECTION 409A.**

25.1. Notwithstanding anything herein to the contrary, the terms and conditions of this Plan may be supplemented or amended with respect to a particular country or tax regime by means of an appendix to this Plan, and to the extent that the terms and conditions set forth in any appendix conflict with any provisions of this Plan, the provisions of such appendix shall govern. Terms and conditions set forth in such appendix shall apply only to Awards granted to Grantees under the jurisdiction of the specific country or such other tax regime that is the subject of such appendix and shall not apply to Awards issued to a Grantee not under the jurisdiction of such country or such other tax regime. The adoption of any such appendix shall be subject to the approval of the Board or the Committee, and if determined by the Committee to be required in connection with the application of certain tax treatment, pursuant to applicable stock exchange rules or regulations or otherwise, then also the approval of the shareholders of the Corporation at the required majority.

25.2. This Section 25.2 shall only apply to Awards granted to Grantees who are subject to United States Federal income tax.

25.2.1 It is the intention of the Corporation that no Award shall be deferred compensation subject to Section 409A of the Code unless and to the extent that the Committee specifically determines otherwise as provided in Section 25.2.2, and the Plan and the terms and conditions of all Awards shall be interpreted and administered accordingly.

25.2.2 The terms and conditions governing any Awards that the Committee determines will be subject to Section 409A of the Code, including any rules for payment or elective or mandatory deferral of the payment or delivery of Shares or cash pursuant thereto, and any rules regarding treatment of such Awards in the event of a Change in Control, shall be set forth in the applicable Award Agreement and shall be intended to comply in all respects with Section 409A of the Code, and the Plan and the terms and conditions of such Awards shall be interpreted and administered accordingly.

25.2.3 The Corporation shall have complete discretion to interpret and construe the Plan and any Award Agreement in any manner that establishes an exemption from (or compliance with) the requirements of Section 409A of the Code. If for any reason, such as imprecision in drafting, any provision of the Plan and/or any Award Agreement does not accurately reflect its intended establishment of an exemption from (or compliance with) Code Section 409A, as demonstrated by consistent interpretations or other evidence of intent, such provision shall be considered ambiguous as to its exemption from (or compliance with) Section 409A of the Code and shall be interpreted by the Corporation in a manner consistent with such intent, as determined in the discretion of the Corporation. If, notwithstanding the foregoing provisions of this Section 25.2.3, any provision of the Plan or any such agreement would cause a Grantee to incur any additional tax or interest under Section 409A of the Code, the Corporation may reform such provision in a manner intended to avoid the incurrence by such Grantee of any such additional tax or interest; provided that the Corporation shall maintain, to the extent reasonably practicable, the original intent and economic benefit to the Grantee of the applicable provision without violating the provisions of Section 409A of the Code. For the avoidance of doubt, no provision of this Plan shall be interpreted or construed to transfer any liability for failure to comply with the requirements of Section 409A from any Grantee or any other individual to the Corporation or any of its affiliates, employees or agents.

25.2.4 Notwithstanding any other provision in the Plan, any Award Agreement, or any other written document establishing the terms and conditions of an Award, if any Grantee is a "specified employee," within the meaning of Section 409A of the Code, as of the date of his or her "separation from service" (as defined under Section 409A of the Code), then, to the extent required by Treasury Regulation Section 1.409A-3(i)(2) (or any successor provision), any payment made to such Grantee on account of his or her separation from service shall not be made before a date that is six months after the date of his or her separation from service. The Committee may elect any of the methods of applying this rule that are permitted under Treasury Regulation Section 1.409A-3(i)(2)(ii) (or any successor provision).

25.2.5 Notwithstanding any other provision of this Section 25.2 to the contrary, although the Corporation intends to administer the Plan so that Awards will be exempt from, or will comply with, the requirements of Section 409A of the Code, the Corporation does not warrant that any Award under the Plan will qualify for favorable tax treatment under Section 409A of the Code or any other provision of federal, state, local, or non-United States law. The Corporation shall not be liable to any Grantee for any tax, interest, or penalties the Grantee might owe as a result of the grant, holding, vesting, exercise, or payment of any Award under the Plan.

26. **GOVERNING LAW; JURISDICTION.**

This Plan and all determinations made and actions taken pursuant hereto shall be governed by the laws of the State of Israel, except with respect to matters that are subject to tax laws, regulations and rules of any specific jurisdiction, which shall be governed by the respective laws, regulations and rules of such jurisdiction. Certain definitions, which refer to laws other than the laws of such jurisdiction, shall be construed in accordance with such other laws. The competent courts located in Tel-Aviv-Jaffa, Israel shall have exclusive jurisdiction over any dispute arising out of or in connection with this Plan and any Award granted hereunder. By signing any Award Agreement or any other agreement relating to an Award, each Grantee irrevocably submits to such exclusive jurisdiction.

27. **NON-EXCLUSIVITY OF THIS PLAN.**

The adoption of this Plan shall not be construed as creating any limitations on the power or authority of the Corporation to adopt such other or additional incentive or other compensation arrangements of whatever nature as the Corporation may deem necessary or desirable or preclude or limit the continuation of any other plan, practice or arrangement for the payment of compensation or fringe benefits to employees generally, or to any class or group of employees, which the Corporation or any Affiliate now has lawfully put into effect, including any retirement, pension, savings and stock purchase plan, insurance, death and disability benefits and executive short-term or long-term incentive plans.

28. **MISCELLANEOUS.**

28.1. Survival. The Grantee shall be bound by and the Shares issued upon exercise or (if applicable) the vesting of any Awards granted hereunder shall remain subject to this Plan after the exercise or (if applicable) the vesting of Awards, in accordance with the terms of this Plan, whether or not the Grantee is then or at any time thereafter employed or engaged by the Corporation or any of its Affiliates.

28.2. Additional Terms. Each Award awarded under this Plan may contain such other terms and conditions not inconsistent with this Plan as may be determined by the Committee, in its sole discretion.

28.3. Fractional Shares. No fractional Share shall be issuable upon exercise or vesting of any Award and the number of Shares to be issued shall be rounded down to the nearest whole Share, with any Share remaining at the last vesting date due to such rounding to be issued upon exercise at such last vesting date.

28.4. Severability. If any provision of this Plan, any Award Agreement or any other agreement entered into in connection with an Award shall be determined to be illegal or unenforceable by any court of law in any jurisdiction, the remaining provisions hereof and thereof shall be severable and enforceable in accordance with their terms, and all provisions shall remain enforceable in any other jurisdiction. In addition, if any particular provision contained in this Plan, any Award Agreement or any other agreement entered into in connection with an Award shall for any reason be held to be excessively broad as to duration, geographic scope, activity or subject, it shall be construed by limiting and reducing such provision as to such characteristic so that the provision is enforceable to fullest extent compatible with Applicable Law as it shall then appear.

28.5. Captions and Titles. The use of captions and titles in this Plan or any Award Agreement or any other agreement entered into in connection with an Award is for the convenience of reference only and shall not affect the meaning or interpretation of any provision of this Plan or such agreement.

* * *

NOTICE OF OPTION GRANT

You have been granted the following options (the “**Options**”) to purchase shares of common stock par value US\$ 0.001 each (the “**Shares**”) of ScoutCam Inc. (the “**Company**”), pursuant and subject to the terms and conditions of the Company’s 2020 Share Incentive Plan, a copy of which is attached hereto as Exhibit A (as may be amended from time to time, the “**Plan**”), and the additional terms and conditions contained herein. *Unless otherwise defined, capitalized terms used herein shall have the meaning ascribed to them under the Plan.*

Grantee: _____

Date of Grant: _____

such date being subject to Section 9.4 of the Plan and Section 10.2 of this Agreement

Intended Type of Award:

☐ *check one*:

_____ Incentive Stock Option (U.S.)
 _____ Nonqualified Stock Option (U.S.)
 _____ Option designated as 102 Capital Gains Track Award (with Trustee) (Israel)
 _____ Option designated as 102 Ordinary Income Track Award (with Trustee) (Israel)
 _____ Option designated as 102 Non-Trustee Award (Israel)
 _____ Option designated as 3(9) Award (Israel)
 _____ Other

the above being subject to Section 9 of the Option Agreement, Section 18.4 of the Plan and applicable law

Exercise Price (US\$ / NIS / Other) «Grant ExercisePrice» per Share

«Contact_FullName» _____

Number of Shares underlying the Options:

Vesting Commencement Date:

Vesting Schedule:

Subject to the terms of the Plan (including Sections 6.6 and 6.7 thereof), the Options shall vest and become exercisable under the following schedule: 33.33% of the Shares covered by the Options, on the first anniversary of the date on the Vesting Commencement Date, and 8.33% of the Shares covered by the Options at the end of each subsequent three-month period thereafter over the course of the subsequent 2 years; *provided*, in each case, that the Grantee remains continuously as a Service Provider of the Company or its Affiliates throughout each such vesting date; and, further, that the each of the outstanding Options shall immediately vest upon the occurrence of the following: (i) the sale of all or substantially all of the assets of the Company, (ii) the sale of more than fifty percent (50%) of the outstanding common stock of the Company in a non-public sale, (iii) the dissolution or liquidation of the Company, or (iv) any merger, share exchange, consolidation or other reorganization or business combination of the Company if immediately after such transaction either (A) persons who were directors of the Company immediately prior such transaction do not constitute at least a majority of the directors of the surviving entity, or (B) persons who hold majority of the voting capital stock of the surviving entity are not persons who held a majority of the voting capital stock of the Company immediately prior to such transaction.

Exercise Period:

The date determined in accordance with and subject to Section 8 of the Option Agreement and the provisions of the Plan.

The Options are governed by this Notice of Option Grant and by the provisions of the Plan and the Option Agreement, both of which are attached to and made an integral part of this Notice. By signing the Option Agreement, the Grantee acknowledges receipt of copies of the Plan and the Option Agreement, represents that the Grantee read and is familiar with their provisions, and hereby accepts the Options subject to all of their terms and conditions.

THIS OPTION AGREEMENT AND THE SECURITIES ISSUABLE UPON EXERCISE OF THE OPTIONS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR SUCH APPLICABLE LAWS OF OTHER JURISDICTIONS, OR QUALIFIED UNDER ANY SECURITIES LAW OR ANY OTHER JURISDICTION, AND, SUBJECT TO THEIR TERMS, MAY NOT BE OFFERED, SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED UNLESS THERE IS AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR SUCH APPLICABLE LAWS OF OTHER JURISDICTIONS COVERING THIS AGREEMENT AND/OR SUCH SECURITIES, OR THE HOLDER RECEIVES AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY STATING THAT SUCH OFFERING, SALE, TRANSFER, ASSIGNMENT, PLEDGE OR HYPOTHECATION IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF THE SECURITIES ACT AND THE QUALIFICATION REQUIREMENTS UNDER APPLICABLE LAW.

OPTION AGREEMENT

The Company has granted to the Grantee named in the Notice of Option Grant ("**Notice**") to which this Option Agreement (this "**Agreement**") is attached Options upon the terms and conditions set forth in the Notice and this Agreement. The Options have been granted pursuant to and shall in all respects be subject to the terms and conditions of the Notice, this Agreement and the Plan, the provisions of which are incorporated herein by reference and made an integral part of this Agreement.

By signing this Agreement, the Grantee: (a) represents that the Grantee has received copies of, and has read and is familiar with the terms and conditions of, the Notice, the Plan and this Agreement, (b) accepts that the Options, the Shares issued upon the exercise thereof and/or any securities issued or distributed with respect thereto are subject to all of the terms and conditions of the Notice, the Plan this Agreement, the Trust Agreement (as defined below) and any other documents ancillary hereto or thereto, and (c) agrees to accept as binding, conclusive and final all decisions and interpretations of the Board or the Committee upon any questions arising under the Notice, the Plan or this Agreement (whether before or after the issuance of Shares pursuant to the Options). While certain terms and conditions are included in this Agreement, such terms and conditions shall not in any way derogate from the applicability of all other terms and conditions set forth in the Plan. The Grantee acknowledges that the terms and conditions of the Plan may be amended from time to time as set forth therein, and therefore, any reference to the Plan shall be deemed to refer to the Plan as amended from time to time, including any amendments adopted after the date of grant. Unless otherwise stated, in the event of any inconsistency or contradiction between any of the terms of this Agreement and the provisions of the Plan, the terms and provisions of this Agreement shall prevail.

1. **No Disposition of Options.** The Options shall not be sold, pledged or otherwise transferred (whether by operation of law or otherwise), and shall not be subject to sale under execution, attachment, levy or similar process (each of the foregoing, a "**Transfer**") other than by will or by the laws of descent and distribution.

2. **Issuance and Disposition of Shares.**

2.1. **Legal Compliance.** The Company shall have no obligations to issue Shares pursuant to the exercise or settlement of Options and Options may not be exercised or settled (even if vested), if the issuance of Shares upon exercise or settlement would constitute a violation of any Applicable Laws as determined by the Company, including, applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Shares may then be listed. THE GRANTEE IS CAUTIONED THAT THE OPTIONS MAY NOT BE EXERCISED UNLESS THE FOREGOING CONDITIONS AND THOSE SET FORTH IN THE PLAN ARE SATISFIED. ACCORDINGLY, THE OPTIONEE MAY NOT BE ABLE TO EXERCISE THE OPTIONS WHEN DESIRED EVEN THOUGH THE OPTION IS VESTED.

2.2. Provisions Governing Shares. Shares issued upon exercise of Options shall be subject to the restrictions referred to in Section 16 of the Plan (Conditions upon Issuance of Shares; Governing Provisions) and in this Agreement, the Articles of Incorporation of the Company, any limitation, restriction or obligation included in any stockholders agreement applicable to all or substantially all of the holders of Shares (regardless of whether or not the Grantee is a formal party to such stockholders agreement), any other governing documents of the Company, and all policies, manuals and internal regulations adopted by the Company from time to time, in each case, as may be amended from time to time, including, without limitation, any provisions included therein concerning restrictions or limitations on disposition of Shares (such as, but not limited to, right of first refusal and lock-up/market stand-off) or grant of any rights with respect thereto, forced sale and bring along provisions, any provisions concerning a restrictions on the use of inside information and other provisions deemed by the Company to be appropriate in order to ensure compliance with Applicable Laws and with the requirements of any transaction entered into or proposed to be entered into by the Company. By exercising an Option the Grantee is deemed to have undertaken to comply with all the foregoing provisions. The Grantee shall execute (and authorizes any person designated by the Company to so execute, as well as (if applicable) the Trustee holding any Shares for the Grantee's behalf) such separate agreement(s) as may be requested by the Company relating to matters set forth in or otherwise for the purpose of implementing this Section 2.2. The execution of such separate agreement(s) may be a condition by the Company to the exercise of any Award and the Company (and, if applicable, the Trustee) may exercise its authorization above and sign such agreement on behalf of the Grantee or subject the Grantee to the provisions of such agreements.

2.3. Waiver. As a material precondition to the Company's grant of Options and issuance of any Shares under the Plan, the Grantee hereby irrevocably waives any right of first refusal, pre-emptive, co-sale, participation rights or other similar rights with respect to any prior or future Transfer of any shares in the Company by other stockholders or the issuance of securities by the Company, if such right was so provided in any agreement between the Company and any of its stockholders, in the Articles of Incorporation or in any other governing document of the Company. The Grantee acknowledges and agrees that the Company and its stockholders are entitled to rely on this irrevocable waiver.

2.4. Additional or Substituted Securities. In the event that in connection with the declaration of a share dividend (bonus shares), a share split, a reverse share split, a reorganization (which may include a combination or exchange of shares), a consolidation, a spin-off or other corporate divestiture or division, a recapitalization, a reclassification or other similar occurrence affecting the Company's outstanding securities without receipt of consideration (or in consideration for the par value, if shares bear par value), any new, substituted or additional securities or other property (other than cash dividend) are distributed by reason of such occurrence with respect to any Shares which are subject to this Section 2, or into which such Shares thereby become convertible, then such substituted or additional securities or other property (if distributed) shall immediately be subject to this Section 2. Any adjustments to reflect the distribution of such securities or other property shall be conclusively determined by the Company. The terms and conditions contained herein and in the Plan in respect of the Option and/or the Shares shall apply to any new, substituted or additional securities or other property resulting from the above adjustments.

2.5. Market Stand-Off. As a material precondition to the grant of Options and the issuance of any Shares in accordance with the Plan, and without limitation of Section 17 of the Plan, the Grantee hereby executes a market stand-off undertaking in the form attached hereto as Exhibit B.

2.6. **Data Privacy; Data Transfer.** Information related to the Grantee and Award(s) hereunder, as shall be received from Grantee or others, and/or held by, the Company or its Affiliates from time to time, and which information may include sensitive and personal information related to the Grantee ("**Information**"), will be used by the Company or its Affiliates (or third parties appointed by any of them, including the Trustee) to comply with any applicable legal requirement, or for administration of the Plan as they deem necessary or advisable, or for the respective business purposes of the Company or its Affiliates (including in connection with transactions related to any of them). The Company and its Affiliates shall be entitled to transfer the Information among the Company or its Affiliates and to third parties for the purposes set forth above, which may include persons located abroad (including, any person administering the Plan or providing services in respect of the Plan or in order to comply with legal requirements, or the Trustee, their respective officers, directors, employees and representatives, and the respective successors and assigns of any of the foregoing), and any person so receiving Information shall be entitled to transfer it for the purposes set forth above. The Company shall use commercially reasonable efforts to ensure that the transfer of such Information shall be limited to the reasonable and necessary scope. By receiving an Award hereunder, Grantee acknowledges and agrees that the Information is provided at Grantee's free will and that Grantee hereby consents to the storage and transfer of the Information as set forth above.

3. **Exercise Procedures.**

3.1. The Grantee may exercise Options that have become exercisable by giving a signed written notice to the Company, delivered in person or by mail (or such other methods of delivery prescribed by the Company) to the Chief Financial Officer of the Company or to such other person as determined by the Committee, or in any other manner as the Committee shall prescribe from time to time. The exercise notice shall be in a form prescribed by the Company from time to time. The Grantee shall specify in the notice the election to exercise Options, the number of Shares for which it is being exercised (which may be equal to or lower than the aggregate number of Shares that have become exercisable at such time, subject to the last sentence of this Section), accompanied by payment of the aggregate Exercise Price for such Shares in the manner permitted by the Plan. In the event that Options are being exercised by the representative of the Grantee, if permitted under the Plan, the notice shall be accompanied by proof (satisfactory to the Company) of the representative's right to exercise such Options.

3.2. After receiving a proper and duly executed notice of exercise in the form prescribed by the Company, the Company shall cause to be issued a certificate or certificates for the Shares as to which the Options have been exercised, registered in the name of the person exercising such Options, except that in case of Options designated as 102 Trustee Awards, the Shares shall be issued to and in the name of the Trustee for the benefit of the Grantee. The issuance shall be subject to the payment of any and all applicable taxes and compulsory payments by the Grantee. Subject to Section 19 of the Plan, the Grantee shall have no rights as a stockholder with respect to any Shares subject to Options until the Grantee shall have duly exercised the Options, paid the full Exercise Price therefor, if required, paid all applicable taxes and compulsory payments therefor and becomes the record holder of the subject Shares.

3.3. Without derogating from the provision of the Plan, in the event that the Company or, with respect to 102 Trustee Awards, the Trustee, determines that it is required to withhold any tax as a result of the exercise of Options, the Grantee, as a condition to the exercise of Options, shall make arrangements satisfactory to the Company and the Trustee, if applicable, to enable it to satisfy all withholding requirements. The Grantee shall also make arrangements satisfactory to the Company and the Trustee, if applicable, to enable it to satisfy any withholding requirements that may arise in connection with the vesting or disposition of Shares acquired pursuant to the grant of an Option under the Plan. Furthermore, the Grantee shall indemnify the Company and the Trustee, if applicable, and hold them harmless against and from any and all liability for any such tax or interest or penalty thereon, including without limitation, liabilities relating to withholding.

4. **Payment of Exercise Price.** The Exercise Price shall be paid in cash or in such other manner as determined in accordance with the Plan.

5. **Repurchase Right.** Grantee agrees that all Shares issued pursuant to the exercise of the Options shall be subject to certain repurchase rights in favor of the Company or its assigns as provided in the Plan.

6. **Restricted Securities.** Grantee acknowledges and understands that, unless the issuance of Shares that may be acquired upon exercise of the Options is registered under the Securities Act of 1934, as amended (the “**Securities Act**”), before any exercise of the Options, the Shares acquired upon exercise of the Options will be characterized as “restricted securities” under the federal securities laws, as the shares will be acquired from the Company in a transaction not involving a public offering, and that under such laws and applicable regulations the Shares may not be resold without registration under the Securities Act, except in certain limited circumstances. The Grantee represents to the Company that he or she is either familiar with Rule 144 promulgated under the Securities Act, as presently in effect, and understands the resale limitations imposed thereby and by the Securities Act, or has sought counsel from someone with such knowledge. The Grantee acknowledges that if an exemption from registration or qualification is available, it may be conditioned on various requirements, including, but not limited to, the time and manner of sale, the holding period for the Shares, and on requirements relating to the Company that are outside the Grantee’s control, and which the Company is under no obligation to satisfy and may not be able to satisfy. Prior to any transfer of the Shares by the Grantee, the Company retains the right to request and receive from the Grantee an opinion of counsel that the proposed transfer may be completed in compliance with all applicable federal and state securities laws.

7. **Legend.** Unless the issuance of Shares that may be acquired upon exercise of the Options is registered under the Securities Act, the Company may at any time place legends referencing the restriction imposed on the Shares (including, without limitation, right of first refusal and right of repurchase) and any applicable federal, state or foreign securities law restrictions on all certificates representing Shares subject to the provisions of this Agreement. The Grantee shall, at the request of the Company, promptly present to the Company any and all certificates representing Shares acquired pursuant to Options in the possession of the Grantee in order to carry out the provisions of this Section. Unless otherwise specified by the Company, legends placed on such certificates may include, but shall not be limited to, the following:

7.1. THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR SUCH APPLICABLE LAWS OF OTHER JURISDICTIONS, OR QUALIFIED UNDER ANY SECURITIES LAW OR ANY OTHER JURISDICTION, AND, SUBJECT TO THEIR TERMS, MAY NOT BE OFFERED, SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED UNLESS THERE IS AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR SUCH APPLICABLE LAWS OF OTHER JURISDICTIONS COVERING SUCH SECURITIES, OR THE COMPANY RECEIVES AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY, STATING THAT SUCH OFFERING, SALE, TRANSFER, ASSIGNMENT, PLEDGE OR HYPOTHECATION IS EXEMPT FROM THE REGISTRATION OR PROSPECTUS DELIVERY REQUIREMENTS OF THE SECURITIES ACT OR THE QUALIFICATION REQUIREMENTS UNDER APPLICABLE LAW.

7.2. THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE COMPANY’S ARTICLES OF INCORPORATION, THE COMPANY’S SHARE INCENTIVE PLAN AND THE OPTION AGREEMENT WITH THE COMPANY, EACH AS AMENDED FROM TIME TO TIME, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THIS COMPANY.

8. **Term and Expiration.** The Options shall expire in accordance with the Plan, including in case the Grantee’s employment or service terminates for any reason.

9. **Tax Matters and Consultation.**

9.1. THE GRANTEE IS ADVISED TO CONSULT WITH A TAX ADVISOR WITH RESPECT TO THE TAX CONSEQUENCES OF RECEIVING OR EXERCISING OPTIONS HEREUNDER. THE COMPANY DOES NOT ASSUME ANY RESPONSIBILITY TO ADVISE THE GRANTEE ON SUCH MATTERS, WHICH SHALL REMAIN SOLELY THE RESPONSIBILITY OF THE GRANTEE. Without derogating from Section 18 of the Plan, and notwithstanding anything to the contrary, including the indication under “Intended Type of Award” above, the Company shall be under no duty to ensure, and no representation or commitment is made, that the Options qualify or will qualify under any particular tax treatment (such as Section 102, ISO or any other treatment), nor shall the Company be required to take any action for the qualification of any Option under such tax treatment. If the Options do not qualify under any particular tax treatment it could result in adverse tax consequences to the Grantee. By signing below, Grantee agrees that the Company and its Affiliates and their respective employees, directors, officers and stockholders shall not be liable for any tax, penalty, interest or cost incurred by Grantee as a result of such determination, nor will any of them have any liability of any kind or nature in the event that, for any reason whatsoever, an Option does not qualify for any particular tax treatment.

9.2. Without limitation of the foregoing, with respect to Incentive Stock Option and Nonqualified Stock Option, there is no guarantee that the Internal Revenue Service (“IRS”) will determine that the Exercise Price of these Options represent the fair market value thereof as of the Date of Grant in compliance with the requirements of Section 409A of the Code. If the IRS determines that the Exercise Price is less than such fair market value it could result in adverse tax consequences to Grantee.

9.3. In case of Incentive Stock Options, adjustments made pursuant to the Plan with respect to Incentive Stock Options could constitute a “modification” of such Incentive Stock Options (as that term is defined in Section 424(h) of the Code) or could cause adverse tax consequences for the Grantee and the Grantee should consult with his or her tax advisor regarding the consequences of such “modification” on his or her income tax treatment with respect to the Incentive Stock Option.

10. Section 102 Awards.

10.1. Eligibility for Awards. Subject to Applicable Law, 102 Awards may only be granted to an “employee” within the meaning of Section 102(a) of the Ordinance (which as of the date hereof means (i) individuals employed by an Israeli company being the Company or any of its Affiliates, and (ii) individuals who are serving and are engaged personally (and not through an entity) as “office holders” by such an Israeli company), but may not be granted to a Controlling Shareholder (“**Eligible 102 Grantees**”). Eligible 102 Grantees may receive only 102 Awards, which may either be granted to a Trustee or granted under Section 102 of the Ordinance without a Trustee.

10.2. 102 Award Grant Date.

10.2.1. Each 102 Award will be deemed granted on the date determined by the Committee, subject to Section 10.2.2, provided that (i) the Grantee has signed all documents required by the Company or pursuant to Applicable Law, and (ii) with respect to 102 Trustee Awards, the Company has provided all applicable documents to the Trustee in accordance with the guidelines published by the ITA, and if this Agreement is not signed and delivered by the Grantee within 90 days from the date determined by the Committee (subject to Section 10.2.2), then such 102 Trustee Award shall be deemed granted on such later date as this Agreement is signed and delivered and on which the Company has provided all applicable documents to the Trustee in accordance with the guidelines published by the ITA. In the case of any contradiction, this provision and the date of grant determined pursuant hereto shall supersede and be deemed to amend any date of grant indicated in the Notice or in any corporate resolution or any agreement.

10.2.2. Unless otherwise permitted by the Ordinance, any grants of 102 Trustee Awards that are made on or after the date of the adoption of this Plan or an amendment to this Plan, as the case may be, that may become effective only at the expiration of thirty (30) days after the filing of this Plan or any amendment thereof (as the case may be) with the ITA in accordance with the Ordinance shall be conditional upon the expiration of such 30-day period, such condition shall be read and is incorporated by reference into any corporate resolutions approving such grants and into this Agreement and any agreement evidencing such grants (whether or not explicitly referring to such condition), and the date of grant shall be at the expiration of such 30-day period, whether or not the date of grant indicated therein corresponds with this Section 10.2. In the case of any contradiction, this provision and the date of grant determined pursuant hereto shall supersede and be deemed to amend any date of grant indicated in the Notice or in any corporate resolution or any agreement.

10.3. To the extent and with respect to 102 Trustee Awards, the Grantee acknowledges, undertakes and confirms that: (i) the Grantee fully understands that Section 102 Ordinance and the rules and regulations enacted thereunder apply to the Options, and (ii) the Grantee understands the provisions of Section 102 of the Ordinance, the tax track chosen thereunder and the implications thereof. If applicable, the terms of such Options shall also be subject to the terms of the Trust Agreement made between the Company and the Trustee for the benefit of the Grantee (as amended, the “**Trust Agreement**”), and the Grantee shall sign all documents requested by the Company or the Trustee, in accordance with and under the Trust Agreement. *A copy of the Trust Agreement is available for the Grantee’s review, during normal working hours, at the Company’s offices.*

10.4. Grantee Undertaking. Without derogating from the generality of the foregoing, to the extent and with respect to any Options that are 102 Capital Gain Track Awards, and as required by Section 102 of the Ordinance and the Rules, the Grantee acknowledges, undertakes and confirms in writing the following (which shall be apply and relate to all Awards granted to the Grantee, whether under this Plan or other plans maintained by the Company, and whether prior to or after the date hereof, if any):

10.4.1. The Grantee shall comply with all terms and conditions set forth in Section 102 of the Ordinance with regard to the “Capital Gain Track” and the applicable rules and regulations promulgated thereunder, as amended from time to time;

10.4.2. The Grantee is familiar with, and understands the provisions of, Section 102 of the Ordinance in general, and the tax arrangement under the “Capital Gain Track” in particular, and its tax consequences; the Grantee agrees that the Options and Shares that may be issued upon exercise of the Options (or otherwise in relation to the Options), will be held by a trustee appointed pursuant to Section 102 of the Ordinance for at least the duration of the Holding Period, as defined in Section 102 under the “Capital Gain Track”. The Grantee understands that any release of such Options or Shares from trust, or any sale of the Share prior to the termination of the Holding Period, will result in taxation at marginal tax rates, in addition to deductions of appropriate social security, health tax contributions or other compulsory payments; and

10.4.3. The Grantee agrees to the trust agreement signed between the Company, his employing company and the trustee appointed pursuant to Section 102 of the Ordinance and shall sign all documents requested by the Company or the Trustee, in accordance with and under the trust agreement.

11. **Plan Termination or Amendment.** The Board may terminate or amend the Plan or the Options at any time, subject to the Plan and any such amendment shall apply on the Grantee and this Option Agreement (including the Options and Shares issuable or issued pursuant thereto), without any required consent of the Grantee. Except as set forth above, this Agreement shall not be amended without the consent of the parties hereto.

12. **Miscellaneous.**

12.1. Further Assurances. The Grantee shall perform such further acts and execute such further documents as may reasonably be necessary by the Company to carry out and give full effect to the provisions of this Agreement and the Plan.

12.2. Fractional Shares. No fractional Share shall be issuable upon exercise or vesting of any Options and the number of Shares to be issued shall be rounded down to the nearest whole Share, with any Share remaining at the last vesting date due to such rounding to be issued upon exercise at such last vesting date.

12.3. Entire Agreement. This Agreement (together with the Notice and all Exhibits) and the Plan constitutes the full and entire understanding and agreement between the parties with regard to the subject matters hereof and thereof, and supersede all prior agreements and understandings, both written and oral (with no concession being made as to the existence of any such agreements and understandings).

12.4. Governing Law; Jurisdiction. This Agreement shall be governed by and construed according to the laws of the State of Israel, without regard to the conflict of law provisions thereof. Any dispute arising under or proceeding in relation to this Agreement shall be resolved exclusively in the competent court in Tel Aviv-Jaffa, and each of the parties hereby irrevocably submits to the exclusive jurisdiction of such court.

12.5. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and enforceable against the parties, and all of which together shall be considered one and the same agreement, it being understood that all parties need not sign the same counterpart. The exchange of an executed Agreement (in counterparts or otherwise) by facsimile transmission, electronic transmission or electronic signature shall be sufficient to bind the parties to the terms and conditions of this Agreement, as an original.

- Signature Pages Following -

IN WITNESS WHEREOF, the parties have duly executed and delivered this **OPTION AGREEMENT** as of the date last written below.

ScoutCam LTD

Signed Electronically
By: «Contact_Contact_FullName»
Date of Signature: Manager_SIGN

Grantee

Signed Electronically
By: «Contact_FullName»
ID No.: : «Contact_IDSSN»
Date of Signature: Employee_SIGN

EXHIBIT A

THE PLAN

Market Stand-Off Undertaking

To: «Contact_FullName»
ScoutCam Inc. (the “**Company**”); and
The underwriters

Dear Sirs:

In connection with any underwritten public offering of equity securities of the Company pursuant to an effective registration statement filed under the U.S. Securities Act of 1933, as amended, or equivalent law in another jurisdiction, and in recognition of the benefit that such an offering will confer upon the undersigned as a stockholder of the Company, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned agrees with the Company and each underwriter, during the Lock Up Period (as defined below), that the undersigned will not, without the prior written consent of the Company or the underwriters (or the lead underwriter, as the underwriters shall agree among themselves), directly or indirectly, (i) lend, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of, or otherwise dispose of or transfer any shares of the Company or any securities convertible into or exchangeable or exercisable for shares or securities of the Company, whether now owned or hereafter acquired by the undersigned or with respect to which the undersigned has or hereafter acquires the power of disposition (including, without limitation, awards under any Company share or equity plan) and any shares or other securities issued or distributed with respect to or in substitution of any of the foregoing (collectively, the “**Lock Up Securities**”), (ii) exercise any right with respect to the registration of any of the Lock Up Securities, or file or cause to be filed any registration statement in connection therewith, under the U.S. Securities Act of 1933, as amended, or equivalent law in another jurisdiction, or (iii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Lock Up Securities, whether any such swap or transaction in this clause (iii) or (i) above is to be settled by delivery of shares or other securities of the Company, in cash or otherwise. The foregoing provisions shall not apply to the sale of any shares to an underwriter pursuant to an underwriting agreement.

The restrictions contained in this letter shall be in effect for such period of time (the “**Lock Up Period**”): (A) until the expiration of 90 days following the effective date of such registration statement relating to any other public offering;; or (B) as shall be requested by the Company or the underwriter(s). Notwithstanding anything herein to the contrary, if the underwriter(s) and the Company agreed on a termination date of the Lock Up Period in the event of failure to consummation a certain public offering, then such termination shall apply also to the Lock Up Period hereunder with respect to that particular public offering.

In the event of a subdivision of the outstanding share capital of the Company, the distribution of any securities (whether or not of the Company), whether as bonus shares or otherwise, and whether as dividend or otherwise, a recapitalization, a reorganization (which may include a combination or exchange of shares or a similar transaction affecting the Company’s outstanding securities without receipt of consideration), a consolidation, a spin-off or other corporate divestiture or division, a reclassification or other similar occurrence, any new, substituted or additional securities which are by reason of such transaction distributed with respect to any Lock Up Securities, or into which such Lock Up Securities thereby become convertible, shall immediately be subject to the provisions and restrictions contained herein.

The undersigned agrees that, prior to engaging in any transaction or taking any other action that is subject to the terms of this letter during the Lock Up Period, it will give notice thereof to the Company and will not consummate such transaction or take any such action unless it has received written confirmation from the Company that the Lock Up Period has expired.

The Company may impose and the undersigned agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of the Lock Up Securities except in compliance with the foregoing restrictions.

The undersigned understands that the Company and the underwriters are relying upon this letter in proceeding toward consummation of the offering. The underwriters in connection with a registration statement so filed are intended third party beneficiaries of this letter and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto. The undersigned shall execute (and hereby empowers the Company as its proxy and attorney-in-fact to do so in his/her name) such separate agreement(s) as may be requested by the Company or the underwriters in connection with such registration statement and in the form required by them (which need not be identical to the provisions of this letter, and may include such additional provisions and restrictions as the underwriter(s) deem advisable) or that are necessary to give further effect thereto. The execution of such separate agreement(s) may be a condition by the Company to the exercise of any award under the Company's share incentive plan(s).

This letter is irrevocable and shall be binding upon the undersigned's heirs, legal representatives, successors, assigns, and the purchaser or transferee of any Lock Up Securities. The Company, may, at its discretion, and without any further consent, release or remove some or all of the restrictions contained in this letter, or allow certain exceptions to such restrictions (whether in general or in any specific case, and such relief or exceptions need not be the same or identical among to all persons bound by them).

This letter shall not derogate from any provision or restriction contained in any Company's share incentive plan(s), agreement between the undersigned the Company or the underwriters, or any restriction or limitation pursuant to applicable law.

Very truly yours,

Signed Electronically

By : «Contact_FullName»

ID No. : «Contact_IDSSN»

Date of Signature: Employee_SIGN

NOTICE OF RESTRICTED SHARE UNITS GRANT

You have been granted the following Restricted Share Units (the “**RSUs**”) to purchase shares of common stock par value US\$ 0.001 each (the “**Shares**”) of ScoutCam Inc. (the “**Company**”), pursuant and subject to the terms and conditions of the Company’s 2020 Share Incentive Plan, a copy of which is attached hereto as Exhibit A (as may be amended from time to time, the “**Plan**”), and the additional terms and conditions contained herein. *Unless otherwise defined, capitalized terms used herein shall have the meaning ascribed to them under the Plan.*

Grantee: _____

Date of Grant: _____

such date being subject to Section 9.4 of the Plan and Section 10.2 of this Agreement

Intended Type of

Award:

(✓*check one*):

_____ *RSU designated as 102 Capital Gains Track Award (with Trustee) (Israel)*

_____ RSU designated as 102 Non-Trustee Award (Israel)/ RSU designated as

_____ 3(9) Award (Israel)

_____ Other

the above being subject to Section 9 of the Restricted Share Unit Agreement, Section 18.4 of the Plan and applicable law

Number

RSUs Granted: _____

Vesting

Commencement Date: _____

Vesting Schedule:

Subject to the terms of the Plan (including Sections 6.6 and 6.7 thereof), the RSUs shall vest and become exercisable under the following schedule: 33.33% of the Shares covered by the RSUs, on the first anniversary of the date on the Vesting Commencement Date, and 8.33% of the Shares covered by the RSUs at the end of each subsequent three- month period thereafter over the course of the subsequent 2 years; *provided*, in each case, that the Grantee remains continuously as a Service Provider of the Company or its Affiliates throughout each such vesting date; and, further, that the each of the outstanding RSUs shall immediately vest upon the occurrence of the following: (i) the sale of all or substantially all of the assets of the Company, (ii) the sale of more than fifty percent (50%) of the outstanding common stock of the Company in a non-public sale, (iii) the dissolution or liquidation of the Company, or (iv) any merger, share exchange, consolidation or other reorganization or business combination of the Company if immediately after such transaction either (A) persons who were directors of the Company immediately prior to such transaction do not constitute at least a majority of the directors of the surviving entity, or (B) persons who hold a majority of the voting capital stock of the surviving entity are not persons who held a majority of the voting capital stock of the Company immediately prior to such transaction.

Exercise Period:

The date determined in accordance with and subject to Section 8 of the Restricted Share Unit Agreement and the provisions of the Plan.

The RSUs are governed by this Notice of Restricted Share Units Grant and by the provisions of the Plan and the Restricted Share Unit Agreement, both of which are attached to and made an integral part of this Notice. By signing the Award Agreement, the Grantee acknowledges receipt of copies of the Plan and the Restricted Share Unit Agreement, represents that the Grantee read and is familiar with their provisions, and hereby accepts the RSUs subject to all of their terms and conditions.

THIS AWARD AGREEMENT AND THE SECURITIES ISSUABLE UPON VESTING OF THE RSUS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR SUCH APPLICABLE LAWS OF OTHER JURISDICTIONS, OR QUALIFIED UNDER ANY SECURITIES LAW OR ANY OTHER JURISDICTION, AND, SUBJECT TO THEIR TERMS, MAY NOT BE OFFERED, SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED UNLESS THERE IS AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR SUCH APPLICABLE LAWS OF OTHER JURISDICTIONS COVERING THIS AGREEMENT AND/OR SUCH SECURITIES, OR THE HOLDER RECEIVES AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY STATING THAT SUCH OFFERING, SALE, TRANSFER, ASSIGNMENT, PLEDGE OR HYPOTHECATION IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF THE SECURITIES ACT AND THE QUALIFICATION REQUIREMENTS UNDER APPLICABLE LAW.

RESTRICTED SHARE UNIT AGREEMENT

The Company has granted to the Grantee named in the Notice of Restricted Shares Units Grant ("**Notice**") to which this Restricted Share Unit Agreement (this "**Agreement**") is attached RSUs upon the terms and conditions set forth in the Notice and this Agreement. The RSUs have been granted pursuant to and shall in all respects be subject to the terms and conditions of the Notice, this Agreement and the Plan, the provisions of which are incorporated herein by reference and made an integral part of this Agreement.

By signing this Agreement, the Grantee: (a) represents that the Grantee has received copies of, and has read and is familiar with the terms and conditions of, the Notice, the Plan and this Agreement, (b) accepts that the RSUs, the Shares issued upon the vest thereof and/or any securities issued or distributed with respect thereto are subject to all of the terms and conditions of the Notice, the Plan this Agreement, the Trust Agreement (as defined below) and any other documents ancillary hereto or thereto, and (c) agrees to accept as binding, conclusive and final all decisions and interpretations of the Board or the Committee upon any questions arising under the Notice, the Plan or this Agreement (whether before or after the issuance of Shares pursuant to the RSUs). While certain terms and conditions are included in this Agreement, such terms and conditions shall not in any way derogate from the applicability of all other terms and conditions set forth in the Plan. The Grantee acknowledges that the terms and conditions of the Plan may be amended from time to time as set forth therein, and therefore, any reference to the Plan shall be deemed to refer to the Plan as amended from time to time, including any amendments adopted after the date of grant. Unless otherwise stated, in the event of any inconsistency or contradiction between any of the terms of this Agreement and the provisions of the Plan, the terms and provisions of this Agreement shall prevail.

1. **No Disposition of Awards.** The RSUs shall not be sold, pledged or otherwise transferred (whether by operation of law or otherwise), and shall not be subject to sale under execution, attachment, levy or similar process (each of the foregoing, a "**Transfer**") other than by will or by the laws of descent and distribution.

2. Issuance and Disposition of Shares.

2.1. **Legal Compliance.** The Company shall have no obligations to issue Shares pursuant to the settlement of RSUs and RSUs may not be settled (even if vested), if the issuance of Shares upon settlement would constitute a violation of any Applicable Laws as determined by the Company, including, applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Shares may then be listed. THE GRANTEE IS CAUTIONED THAT THE RSUS MAY NOT BE SETTLED UNLESS THE FOREGOING CONDITIONS AND THOSE SET FORTH IN THE PLAN ARE SATISFIED.

2.2. **Provisions Governing Shares.** Shares issued upon vesting of RSUs shall be subject to the restrictions referred to in Section 16 of the Plan (Conditions upon Issuance of Shares; Governing Provisions) and in this Agreement, the Articles of Incorporation of the Company, any limitation, restriction or obligation included in any stockholders agreement applicable to all or substantially all of the holders of Shares (regardless of whether or not the Grantee is a formal party to such stockholders agreement), any other governing documents of the Company, and all policies, manuals and internal regulations adopted by the Company from time to time, in each case, as may be amended from time to time, including, without limitation, any provisions included therein concerning restrictions or limitations on disposition of Shares (such as, but not limited to, right of first refusal and lock-up/market stand-off) or grant of any rights with respect thereto, forced sale and bring along provisions, any provisions concerning a restrictions on the use of inside information and other provisions deemed by the Company to be appropriate in order to ensure compliance with Applicable Laws and with the requirements of any transaction entered into or proposed to be entered into by the Company. The Grantee is deemed to have undertaken to comply with all the foregoing provisions. The Grantee shall execute (and authorizes any person designated by the Company to so execute, as well as (if applicable) the Trustee holding any Shares for the Grantee's behalf) such separate agreement(s) as may be requested by the Company relating to matters set forth in or otherwise for the purpose of implementing this Section 2.2. The execution of such separate agreement(s) may be a condition by the Company to the exercise of any Award and the Company (and, if applicable, the Trustee) may exercise its authorization above and sign such agreement on behalf of the Grantee or subject the Grantee to the provisions of such agreements.

2.3. Waiver. As a material precondition to the Company's grant of RSUs and issuance of any Shares under the Plan, the Grantee hereby irrevocably waives any right of first refusal, pre-emptive, co-sale, participation rights or other similar rights with respect to any prior or future Transfer of any shares in the Company by other stockholders or the issuance of securities by the Company, if such right was so provided in any agreement between the Company and any of its stockholders, in the Articles of Incorporation or in any other governing document of the Company. The Grantee acknowledges and agrees that the Company and its stockholders are entitled to rely on this irrevocable waiver.

2.4. Additional or Substituted Securities. In the event that in connection with the declaration of a share dividend (bonus shares), a share split, a reverse share split, a reorganization (which may include a combination or exchange of shares), a consolidation, a spin-off or other corporate divestiture or division, a recapitalization, a reclassification or other similar occurrence affecting the Company's outstanding securities without receipt of consideration (or in consideration for the par value, if shares bear par value), any new, substituted or additional securities or other property (other than cash dividend) are distributed by reason of such occurrence with respect to any Shares which are subject to this Section 2, or into which such Shares thereby become convertible, then such substituted or additional securities or other property (if distributed) shall immediately be subject to this Section 2. Any adjustments to reflect the distribution of such securities or other property shall be conclusively determined by the Company. The terms and conditions contained herein and in the Plan in respect of the RSU and/or the Shares shall apply to any new, substituted or additional securities or other property resulting from the above adjustments.

2.5. Market Stand-Off. As a material precondition to the grant of RSUs and the issuance of any Shares in accordance with the Plan, and without limitation of Section 17 of the Plan, the Grantee hereby executes a market stand-off undertaking in the form attached hereto as **Exhibit B**.

2.6. Data Privacy; Data Transfer. Information related to the Grantee and Award(s) hereunder, as shall be received from Grantee or others, and/or held by, the Company or its Affiliates from time to time, and which information may include sensitive and personal information related to the Grantee ("**Information**"), will be used by the Company or its Affiliates (or third parties appointed by any of them, including the Trustee) to comply with any applicable legal requirement, or for administration of the Plan as they deems necessary or advisable, or for the respective business purposes of the Company or its Affiliates (including in connection with transactions related to any of them). The Company and its Affiliates shall be entitled to transfer the Information among the Company or its Affiliates and to third parties for the purposes set forth above, which may include persons located abroad (including, any person administering the Plan or providing services in respect of the Plan or in order to comply with legal requirements, or the Trustee, their respective officers, directors, employees and representatives, and the respective successors and assigns of any of the foregoing), and any person so receiving Information shall be entitled to transfer it for the purposes set forth above. The Company shall use commercially reasonable efforts to ensure that the transfer of such Information shall be limited to the reasonable and necessary scope. By receiving an Award hereunder, Grantee acknowledges and agrees that the Information is provided at Grantee's free will and that Grantee hereby consents to the storage and transfer of the Information as set forth above.

3. Issuance of Shares.

3.1. As soon as practicable following the vesting date, subject to payment of applicable taxes and execution of any document required by the Company, the Company shall cause to be issued a certificate or certificates for the Shares as to which the RSUs have been vested, registered in the name of the Grantee, except that in case of RSUs designated as 102 Trustee Awards, the Shares shall be issued to and in the name of the Trustee for the benefit of the Grantee. The issuance shall be subject to the payment of any and all applicable taxes and compulsory payments by the Grantee. Subject to Section 19 of the Plan, the Grantee shall have no rights as a stockholder with respect to any Shares subject to RSUs until the Grantee shall have duly paid all applicable taxes and compulsory payments therefor and the Shares are allotted pursuant to vesting of RSUs and the Grantee becomes the record holder of the subject Shares.

3.2. Without derogating from the provision of the Plan, in the event that the Company or, with respect to 102 Trustee Awards, the Trustee, determines that it is required to withhold any tax as a result of the vesting of RSUs, the Grantee shall make arrangements satisfactory to the Company and the Trustee, if applicable, to enable it to satisfy all withholding requirements. The Grantee shall also make arrangements satisfactory to the Company and the Trustee, if applicable, to enable it to satisfy any withholding requirements that may arise in connection with the vesting or disposition of Shares acquired pursuant to the grant of an RSU under the Plan. Furthermore, the Grantee shall indemnify the Company and the Trustee, if applicable, and hold them harmless against and from any and all liability for any such tax or interest or penalty thereon, including without limitation, liabilities relating to withholding.

4. **Restricted Securities.** Grantee acknowledges and understands that, unless the issuance of Shares that may be acquired upon vesting of the RSUs is registered under the Securities Act of 1934, as amended (the “**Securities Act**”), the Shares acquired upon vesting of the RSUs will be characterized as “restricted securities” under the federal securities laws, as the shares will be acquired from the Company in a transaction not involving a public offering, and that under such laws and applicable regulations the Shares may not be resold without registration under the Securities Act, except in certain limited circumstances. The Grantee represents to the Company that he or she is either familiar with Rule 144 promulgated under the Securities Act, as presently in effect, and understands the resale limitations imposed thereby and by the Securities Act, or has sought counsel from someone with such knowledge. The Grantee acknowledges that if an exemption from registration or qualification is available, it may be conditioned on various requirements, including, but not limited to, the time and manner of sale, the holding period for the Shares, and on requirements relating to the Company that are outside the Grantee’s control, and which the Company is under no obligation to satisfy and may not be able to satisfy. Prior to any transfer of the Shares by the Grantee, the Company retains the right to request and receive from the Grantee an opinion of counsel that the proposed transfer may be completed in compliance with all applicable federal and state securities laws.

5. **Legend.** Unless the issuance of Shares that may be acquired upon vesting of the RSUs is registered under the Securities Act, the Company may at any time place legends referencing the restriction imposed on the Shares (including, without limitation, right of first refusal and right of repurchase) and any applicable federal, state or foreign securities law restrictions on all certificates representing Shares subject to the provisions of this Agreement. The Grantee shall, at the request of the Company, promptly present to the Company any and all certificates representing Shares acquired pursuant to RSUs in the possession of the Grantee in order to carry out the provisions of this Section. Unless otherwise specified by the Company, legends placed on such certificates may include, but shall not be limited to, the following:

5.1. THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR SUCH APPLICABLE LAWS OF OTHER JURISDICTIONS, OR QUALIFIED UNDER ANY SECURITIES LAW OR ANY OTHER JURISDICTION, AND, SUBJECT TO THEIR TERMS, MAY NOT BE OFFERED, SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED UNLESS THERE IS AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR SUCH APPLICABLE LAWS OF OTHER JURISDICTIONS COVERING SUCH SECURITIES, OR THE COMPANY RECEIVES AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY, STATING THAT SUCH OFFERING, SALE, TRANSFER, ASSIGNMENT, PLEDGE OR HYPOTHECATION IS EXEMPT FROM THE REGISTRATION OR PROSPECTUS DELIVERY REQUIREMENTS OF THE SECURITIES ACT OR THE QUALIFICATION REQUIREMENTS UNDER APPLICABLE LAW.

5.2. THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE COMPANY'S ARTICLES OF INCORPORATION, THE COMPANY'S SHARE INCENTIVE PLAN AND THE RESTRICTED SHARE UNIT AGREEMENT WITH THE COMPANY, EACH AS AMENDED FROM TIME TO TIME, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THIS COMPANY.

6. **Term and Expiration.** The RSUs shall expire in accordance with the Plan, including in case the Grantee's employment or service terminates for any reason.

7. **Tax Matters and Consultation.**

7.1. THE GRANTEE IS ADVISED TO CONSULT WITH A TAX ADVISOR WITH RESPECT TO THE TAX CONSEQUENCES OF RECEIVING OR RSUS HEREUNDER. THE COMPANY DOES NOT ASSUME ANY RESPONSIBILITY TO ADVISE THE GRANTEE ON SUCH MATTERS, WHICH SHALL REMAIN SOLELY THE RESPONSIBILITY OF THE GRANTEE. Without derogating from Section 18 of the Plan, and notwithstanding anything to the contrary, including the indication under "Intended Type of Award" above, the Company shall be under no duty to ensure, and no representation or commitment is made, that the RSUs qualify or will qualify under any particular tax treatment (such as Section 102 or any other treatment), nor shall the Company be required to take any action for the qualification of any RSU under such tax treatment. If the RSUs do not qualify under any particular tax treatment it could result in adverse tax consequences to the Grantee. By signing below, Grantee agrees that the Company and its Affiliates and their respective employees, directors, officers and stockholders shall not be liable for any tax, penalty, interest or cost incurred by Grantee as a result of such determination, nor will any of them have any liability of any kind or nature in the event that, for any reason whatsoever, an RSU does not qualify for any particular tax treatment.

8. **Section 102 Awards.**

8.1. **Eligibility for Awards.** Subject to Applicable Law, 102 Awards may only be granted to an "employee" within the meaning of Section 102(a) of the Ordinance (which as of the date hereof means (i) individuals employed by an Israeli company being the Company or any of its Affiliates, and (ii) individuals who are serving and are engaged personally (and not through an entity) as "office holders" by such an Israeli company), but may not be granted to a Controlling Shareholder ("**Eligible 102 Grantees**"). Eligible 102 Grantees may receive only 102 Awards, which may either be granted to a Trustee or granted under Section 102 of the Ordinance without a Trustee.

8.2. 102 Award Grant Date.

8.2.1. Each 102 Award will be deemed granted on the date determined by the Committee, subject to Section 10.2.2, provided that (i) the Grantee has signed all documents required by the Company or pursuant to Applicable Law, and (ii) with respect to 102 Trustee Awards, the Company has provided all applicable documents to the Trustee in accordance with the guidelines published by the ITA, and if this Agreement is not signed and delivered by the Grantee within 90 days from the date determined by the Committee (subject to Section 10.2.2), then such 102 Trustee Award shall be deemed granted on such later date as this Agreement is signed and delivered and on which the Company has provided all applicable documents to the Trustee in accordance with the guidelines published by the ITA. In the case of any contradiction, this provision and the date of grant determined pursuant hereto shall supersede and be deemed to amend any date of grant indicated in the Notice or in any corporate resolution or any agreement.

8.2.2. Unless otherwise permitted by the Ordinance, any grants of 102 Trustee Awards that are made on or after the date of the adoption of this Plan or an amendment to this Plan, as the case may be, that may become effective only at the expiration of thirty (30) days after the filing of this Plan or any amendment thereof (as the case may be) with the ITA in accordance with the Ordinance shall be conditional upon the expiration of such 30-day period, such condition shall be read and is incorporated by reference into any corporate resolutions approving such grants and into this Agreement and any agreement evidencing such grants (whether or not explicitly referring to such condition), and the date of grant shall be at the expiration of such 30-day period, whether or not the date of grant indicated therein corresponds with this Section 10.2. In the case of any contradiction, this provision and the date of grant determined pursuant hereto shall supersede and be deemed to amend any date of grant indicated in the Notice or in any corporate resolution or any agreement.

8.3. To the extent and with respect to 102 Trustee Awards, the Grantee acknowledges, undertakes and confirms that: (i) the Grantee fully understands that Section 102 Ordinance and the rules and regulations enacted thereunder apply to the RSUs, and (ii) the Grantee understands the provisions of Section 102 of the Ordinance, the tax track chosen thereunder and the implications thereof. If applicable, the terms of such RSUs shall also be subject to the terms of the Trust Agreement made between the Company and the Trustee for the benefit of the Grantee (as amended, the “**Trust Agreement**”), and the Grantee shall sign all documents requested by the Company or the Trustee, in accordance with and under the Trust Agreement. *A copy of the Trust Agreement is available for the Grantee's review, during normal working hours, at the Company's offices.*

8.4. Grantee Undertaking. Without derogating from the generality of the foregoing, to the extent and with respect to any RSUs that are 102 Capital Gain Track Awards, and as required by Section 102 of the Ordinance and the Rules, the Grantee acknowledges, undertakes and confirms in writing the following (which shall be apply and relate to all Awards granted to the Grantee, whether under this Plan or other plans maintained by the Company, and whether prior to or after the date hereof, if any):

8.4.1. The Grantee shall comply with all terms and conditions set forth in Section 102 of the Ordinance with regard to the “Capital Gain Track” and the applicable rules and regulations promulgated thereunder, as amended from time to time;

8.4.2. The Grantee is familiar with, and understands the provisions of, Section 102 of the Ordinance in general, and the tax arrangement under the "Capital Gain Track" in particular, and its tax consequences; the Grantee agrees that the RSUs and Shares that may be issued upon vesting of the RSUs (or otherwise in relation to the RSUs), will be held by a trustee appointed pursuant to Section 102 of the Ordinance for at least the duration of the Holding Period, as defined in Section 102 under the "Capital Gain Track". The Grantee understands that any release of such RSUs or Shares from trust, or any sale of the Share prior to the termination of the Holding Period, will result in taxation at marginal tax rates, in addition to deductions of appropriate social security, health tax contributions or other compulsory payments; and

8.4.3. The Grantee agrees to the trust agreement signed between the Company, his employing company and the trustee appointed pursuant to Section 102 of the Ordinance and shall sign all documents requested by the Company or the Trustee, in accordance with and under the trust agreement.

9. **Plan Termination or Amendment.** The Board may terminate or amend the Plan or the RSUs at any time, subject to the Plan and any such amendment shall apply on the Grantee and this Restricted Share Unit Agreement (including the RSUs and Shares issuable or issued pursuant thereto), without any required consent of the Grantee. Except as set forth above, this Agreement shall not be amended without the consent of the parties hereto.

10. **Miscellaneous.**

10.1. **Further Assurances.** The Grantee shall perform such further acts and execute such further documents as may reasonably be necessary by the Company to carry out and give full effect to the provisions of this Agreement and the Plan.

10.2. **Fractional Shares.** No fractional Share shall be issuable upon vesting of any RSUs and the number of Shares to be issued shall be rounded down to the nearest whole Share, with any Share remaining at the last vesting date due to such rounding to be issued upon exercise at such last vesting date.

10.3. **Entire Agreement.** This Agreement (together with the Notice and all Exhibits) and the Plan constitutes the full and entire understanding and agreement between the parties with regard to the subject matters hereof and thereof, and supersede all prior agreements and understandings, both written and oral (with no concession being made as to the existence of any such agreements and understandings).

10.4. **Governing Law; Jurisdiction.** This Agreement shall be governed by and construed according to the laws of the State of Israel, without regard to the conflict of law provisions thereof. Any dispute arising under or proceeding in relation to this Agreement shall be resolved exclusively in the competent court in Tel Aviv-Jaffa, and each of the parties hereby irrevocably submits to the exclusive jurisdiction of such court.

10.5. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and enforceable against the parties, and all of which together shall be considered one and the same agreement, it being understood that all parties need not sign the same counterpart. The exchange of an executed Agreement (in counterparts or otherwise) by facsimile transmission, electronic transmission or electronic signature shall be sufficient to bind the parties to the terms and conditions of this Agreement, as an original.

- Signature Pages Following -

IN WITNESS WHEREOF, the parties have duly executed and delivered this **RESTRICTED SHARE UNIT AGREEMENT** as of the date last written below.

Signed Electronically:

SCOUTCAM INC.

Name: Tatiana Yosef
Date of Signature: Manager SIGN

GRANTEE

Name: _____
I.D. NO.: _____
Date of Signature: Employee SIGN

EXHIBIT A

THE PLAN

Market Stand-Off Undertaking

To:
ScoutCam Inc. (the “**Company**”); and
The underwriters

Dear Sirs:

In connection with any underwritten public offering of equity securities of the Company pursuant to an effective registration statement filed under the U.S. Securities Act of 1933, as amended, or equivalent law in another jurisdiction, and in recognition of the benefit that such an offering will confer upon the undersigned as a stockholder of the Company, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned agrees with the Company and each underwriter, during the Lock Up Period (as defined below), that the undersigned will not, without the prior written consent of the Company or the underwriters (or the lead underwriter, as the underwriters shall agree among themselves), directly or indirectly, (i) lend, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of, or otherwise dispose of or transfer any shares of the Company or any securities convertible into or exchangeable or exercisable for shares or securities of the Company, whether now owned or hereafter acquired by the undersigned or with respect to which the undersigned has or hereafter acquires the power of disposition (including, without limitation, awards under any Company share or equity plan) and any shares or other securities issued or distributed with respect to or in substitution of any of the foregoing (collectively, the “**Lock Up Securities**”), (ii) exercise any right with respect to the registration of any of the Lock Up Securities, or file or cause to be filed any registration statement in connection therewith, under the U.S. Securities Act of 1933, as amended, or equivalent law in another jurisdiction, or (iii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Lock Up Securities, whether any such swap or transaction in this clause (iii) or (i) above is to be settled by delivery of shares or other securities of the Company, in cash or otherwise. The foregoing provisions shall not apply to the sale of any shares to an underwriter pursuant to an underwriting agreement.

The restrictions contained in this letter shall be in effect for such period of time (the “**Lock Up Period**”): (A) until the expiration of 90 days following the effective date of such registration statement relating to any other public offering;; or (B) as shall be requested by the Company or the underwriter(s). Notwithstanding anything herein to the contrary, if the underwriter(s) and the Company agreed on a termination date of the Lock Up Period in the event of failure to consummate a certain public offering, then such termination shall apply also to the Lock Up Period hereunder with respect to that particular public offering.

In the event of a subdivision of the outstanding share capital of the Company, the distribution of any securities (whether or not of the Company), whether as bonus shares or otherwise, and whether as dividend or otherwise, a recapitalization, a reorganization (which may include a combination or exchange of shares or a similar transaction affecting the Company’s outstanding securities without receipt of consideration), a consolidation, a spin-off or other corporate divestiture or division, a reclassification or other similar occurrence, any new, substituted or additional securities which are by reason of such transaction distributed with respect to any Lock Up Securities, or into which such Lock Up Securities thereby become convertible, shall immediately be subject to the provisions and restrictions contained herein.

The undersigned agrees that, prior to engaging in any transaction or taking any other action that is subject to the terms of this letter during the Lock Up Period, it will give notice thereof to the Company and will not consummate such transaction or take any such action unless it has received written confirmation from the Company that the Lock Up Period has expired.

The Company may impose and the undersigned agrees and consents to the entry of stop transfer instructions with the Company’s transfer agent and registrar against the transfer of the Lock Up Securities except in compliance with the foregoing restrictions.

The undersigned understands that the Company and the underwriters are relying upon this letter in proceeding toward consummation of the offering. The underwriters in connection with a registration statement so filed are intended third party beneficiaries of this letter and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto. The undersigned shall execute (and hereby empowers the Company as its proxy and attorney-in-fact to do so in his/her name) such separate agreement(s) as may be requested by the Company or the underwriters in connection with such registration statement and in the form required by them (which need not be identical to the provisions of this letter, and may include such additional provisions and restrictions as the underwriter(s) deem advisable) or that are necessary to give further effect thereto. The execution of such separate agreement(s) may be a condition by the Company to the exercise of any award under the Company's share incentive plan(s).

This letter is irrevocable and shall be binding upon the undersigned's heirs, legal representatives, successors, assigns, and the purchaser or transferee of any Lock Up Securities. The Company, may, at its discretion, and without any further consent, release or remove some or all of the restrictions contained in this letter, or allow certain exceptions to such restrictions (whether in general or in any specific case, and such relief or exceptions need not be the same or identical among to all persons bound by them).

This letter shall not derogate from any provision or restriction contained in any Company's share incentive plan(s), agreement between the undersigned the Company or the underwriters, or any restriction or limitation pursuant to applicable law.

Very truly yours,

Signed Electronically:

GRANTEE

Name: _____

I.D. NO.: _____

Date of Signature: _____ Employee SIGN

Employment Agreement

Of September 20, 2022

Between: ScoutCam Ltd., Company No. 515950400

Of 7A Gan Hata'asiya St., Omer, Israel

And: Jacob Avinu, identity no. ***

Address: *** (the "Employee")

Employment and Compensation

1. The Parties wish to enter into an employment agreement for an unfixed period, in accordance with the conditions and provisions of this Employment Agreement. The date of commencement of the Employee's employment, his job, his direct supervisor and other issues relating to the conditions of the Employee's employment, including consideration, are set out in Appendix A, which is attached hereto.
 2. In the performance of his job, the Employee shall devote all of his time, attention, ability and effort exclusively for the performance of his duties at the Company and he undertakes not to engage, either as an employee or otherwise, in any business, commercial or professional activities, either for consideration or otherwise, during the term of his employment, without receiving the Company's prior written consent to such. The provisions of this section shall not derogate from the Employee's undertakings as set out in Appendix B which is attached hereto.
 3. Each party shall be entitled to rescind this Agreement at any time, by giving prior notice as set out in Appendix A below, and subject to any law.
 4. Notwithstanding the provisions of section 3 above, and without derogating from its rights under this Agreement or under any law, the Company shall be entitled to terminate the employment of the Employee without prior notice, upon the occurrence of one of the following cases: (a) breach of the Employee's fiduciary duty, intentional damage to the Company's property, dealing in competing activity or any breach of Appendix B below; or (b) a fundamental breach of the provisions of this Agreement on condition that the Employee has not remedied the breach (to the extent that it can be remedied) within 7 days of receipt of a warning from the Company; or (c) indictment of the Employee for a criminal offense (except for a fine-related offense) or for involvement in sexual harassment incidentally to the Employee's employment at the Company; or (d) the Employee has put himself in a position of conflict of interests; or (e) any other circumstance in respect of which it is legally permissible to fire an employee without the giving of prior notice.
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5. The Employee shall not have a right of lien over the assets, equipment or any other of the Company's property that might be in his possession. The Employee shall return all of the Company's property that is in his possession not later than the date of termination of employer-employee relations, prior to his taking any unpaid leave or within 7 days of receipt of a demand to do so from the Company.
6. The provisions of this Agreement shall not derogate from any right afforded to the Employee under any law, extension order, collective agreement, employment contract or any other contract relating to the conditions of his employment.

Confidentiality, Prohibition of Competition and Title to Inventions

7. Together with the execution of this Agreement, the Employee shall sign an undertaking to the Company regarding confidentiality, prohibition of unfair competition, and title to inventions, which is attached hereto as **Appendix B**.

Representations and Undertakings of the Employee

The Employee declares and undertakes as follows:

8. He has the ability, skills and knowledge that are necessary for the performance of his Job pursuant to this Agreement and he does not suffer from any physical or mental health deficiency that might unreasonably prevent or impede him in the performance of his job and his other obligations under this Agreement.
 9. He is not bound by any undertaking or other agreement whatsoever that might restrict or prevent him from entering into this Agreement and performing his undertakings hereunder. By executing this Agreement and performing his job, he is not and will not be in breach of, or in a conflict of interests with: (1) the rights of his previous employers or his undertakings to them; or (2) his undertakings under any other document to which he is a party or which binds him.
 10. He shall give notice to the Company, immediately, of any matter or subject in respect of which he or his close family might have a personal interest or that might generate a conflict of interests with his job and employment at the Company.
 11. He shall not receive any beneficial interest from any third party, directly or indirectly, with respect to his employment. Should the Employee breach this undertaking, then without derogating from the rest of the Company's rights, the beneficial interest or the value thereof shall be the property of the Company alone, and the Employee hereby grants the Company leave to deduct the value of the beneficial interest from any sum that may be owing to the Employee from it. This section shall not apply to gifts or benefits of a marginal value.
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12. In the context of his employment, he shall not act in contravention of the signature rights that are prescribed by the Company.
 13. Employee acknowledges and agrees that from time to time Employee may be required by the Company to travel and stay abroad as part of Employee's obligations under this Agreement. Employee hereby acknowledges and agrees that while Employee is abroad as part of Employee's obligations under this Agreement, Employee shall serve as a senior representative of the Company, a position which requires a special degree of personal trust, as defined in the Working Hours and Rest Law, 1951 (the "Working Hours and Rest Law"). Therefore, in these special circumstances, the provisions of the Working Hours and Rest Law shall not apply to the Employee's employment under this Agreement. Employee acknowledges that while Employee is abroad as part of Employee's obligations under this Agreement, Employee shall be required to work "overtime" hours, including during late hours and during "weekly hours of rest", and that Employee shall not be granted any additional compensation with regard to such "overtime" hours. Employee acknowledges that the monetary implications of this provision have been taken into account by the parties to this Agreement in their decision on the compensation specified in Appendix A and by the Employee in the Employee's decision to engage in this Agreement.
 14. For the purpose of performance of his job, the Company may provide the Employee with a computer, hardware, software, an email address and/or mobile telephone as the case may be ("**Computers**") which shall be the exclusive property of the Company. Subject to the Company's procedures in this regard, and without derogating from his undertakings and the performance of his job pursuant to this Agreement, the Employee shall be entitled to make reasonable, private use of the Computers provided that the Employee shall not be entitled to store private files on the Computers (except for private folders that are prominently marked as such) and shall not be entitled to store Company files on private storage measures. It is clarified that the professional email address shall be used for professional purposes only, whilst the Employee shall be entitled, for private purposes, to use external email services (such as gmail).
 15. The Employee is aware and agrees that: (1) the Company may allow other employees and third parties to make use of the Computers; (2) in order to preserving its legitimate interests, the Company may monitor the activities on the Computers, including the usage log and the contents of email and internet correspondence, which shall be admissible as evidence in legal proceedings; (3) in light of the Employee's undertakings above, the Employee shall not have a right to privacy with respect to the contents of the Computers, with the exception of private folder that have been prominently marked as such.
 16. The Employee is aware and agrees that the information about him and about the conditions of his employment which may be accrued and documented by the Company (the "**Information**") may be provided to third parties, including outside of Israel, on condition that: (a) such transfer is effected for the purpose of the performance of some relevant legal provision or for the purpose of the Company's business (including any transactions related thereto); (b) no information shall be provided beyond what is necessary and reasonable; (c) the party to which the information is provided shall undertake to the Company, to the extent that such is possible and relevant, that it shall maintain the privacy of the information at a level of protection that is at least that which is employed by the Company with respect to the information.
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17. In the event of rescission of this Agreement, for any reason whatsoever, the Employee shall cooperate with the Company and shall make best endeavors to assist in the orderly transition of his job at the Company, and in the orderly overlap between him and the person or persons due to replace him in his job.

General Provisions

18. This Agreement and the Appendixes hereto constitute the full agreement between the Parties and prevail over any prior agreement, offer, understanding, correspondence, content, conversation or arrangement, whether in writing or oral, if any, between the Parties, with respect to the conditions of the Employee's employment. Any matter not expressly regulated in this Agreement shall be in accordance with the law. Any amendment and/or addition to this Agreement shall bind the Parties to this Agreement and shall only be in force if it is in writing and signed by the Parties.
19. Israeli law shall apply to this Agreement. The competent courts / tribunals in the city of Tel Aviv Yafo shall have exclusive jurisdiction with respect to any matter stemming from this Agreement or with respect to this Agreement.
20. All notices must be sent by one party to the other by registered mail, by email or by hand delivery to the address at the top of this Agreement or to such other address as a Party may notify. Any notice shall be deemed to have been received by the recipient: if sent by registered mail – 4 business days after dispatch; if sent by email – one business day after dispatch provided that an automatic confirmation is obtained from the server that the notice reached its destination; if delivered by hand – upon delivery provided that a "certificate of delivery" is received.

The Employee declares that: (1) he has read carefully and has understood all of the provisions of the Agreement and the Appendixes hereto; (2) he has been given a reasonable opportunity to consult with third parties, including with an advocate; (3) he has signed this Agreement with full volition and consent.

In witness whereof, the Parties have hereunto set their hands:

The Employee: */s/ Jacob Avinu*

The Company: */s/ Yehu Ofer*
/s/ Tanya Yosef

Appendix A – Conditions of Employment

1. **Date of Commencement, Job and Supervisor** – The Employee's employment shall commence on November 15, 2022, full time, in the position of SVP Product or such other similar position, whatever its title may be. The Employee shall report directly to the CEO.
2. **Working Hours** - Employee shall be employed on a 5-day workweek basis. Employee's working hours shall be in accordance with the Company's policy, as in effect from time to time. On the date of signature of this Agreement the normal working hours of the Company are 8 am to 5pm, except on one shorter workday as determined by the Company. On the date of signature of this Agreement, the shorter weekly worday is Thursday. The Company may instruct the Employee to work overtime. Employee's entitlement to breaks will be in accordance with any applicable law. The employees' rest day shall be Saturday.
3. **Prior Notice** – 45 days in advance. Notice shall be given in writing however, even if notice is not given in writing as aforesaid, the Employee shall be deemed to have resigned if he gives clear notice in such regard.
4. **Salary** – A gross salary of NIS 40,746 (the "**Base Salary**"). An additional global payment of NIS 11,194 per month for up to 40 overtime hours at an hourly rate of 125% and NIS 8,060 per month for up to 24 overtime hours at an hourly rate of 150% (the "**Global Overtime Payment**") – up to 64 overtime hours in total (the "Quota"). Employee will be entitled to full Global Overtime Payment even if the entire Quota was not met.

The parties estimate that the Quota reflects the actual overtime hours that Employee may work and therefore, the Global Overtime Payment is sufficient to cover all overtime work. The Company undertakes the Global Overtime Payment shall be raised together with any Base Salary increase.

The parties agree that the Global Overtime Payment be treated, for all intents and purposes, as salary payment and therefore the Base Salary and the Global Overtime Payment shall be collectively referred to as the "**Salary**". Any payment or benefit under this Appendix A, other than the Salary, shall not be considered as a salary for any purpose whatsoever, and the Employee shall not maintain or claim otherwise. The Salary shall be payable on such dates as required by law.

5. **Pension Arrangements** – The Company shall insure the Employee under a pension arrangement of his choice (insurance fund, pension fund or a combination of the two), in accordance with the rates and conditions that are set out below:
 - 5.1. **Insurance fund ("executive insurance")** – in accordance with the following components:
 - 5.1.1. Insurance for loss of capacity to work – the Company shall, at its own expense and from an insurer of its choice, purchase coverage in the event of loss of capacity to work with the usual and acceptable conditions, at the rate that is necessary for the insurance of 75% of the Salary. The Company's payment for insurance for loss of capacity to work shall not, in any event, be greater than 2.5% of the Salary.
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- 5.1.2. The Company's provisions for severance pay - $8\frac{1}{3}\%$ of the Salary.
- 5.1.3. The Company's provisions for compensation – the difference between 6.5% of the Salary and the Company's payment for insurance for loss of capacity to work, provided that in any event, the Company's provisions for compensation shall not be less than 5% of the Salary.
- 5.1.4. The Employee's provisions for compensation – 6% of the Salary.
- 5.2. Pension fund – in accordance with the following components: The Company's provisions for severance pay – 8.33% of the Salary; the Company's provisions for compensation - 6.5% of the Salary; the Employee's provisions for compensation - 6% of the Salary.
6. **Release of Pension Funds** – The Parties adopt the provisions of the General Authorization regarding Employer Payments into Pension Funds and Insurance Funds in lieu of Severance Pay, which was issued pursuant to the Severance Pay Law, 5723-1963, as is in force from time to time, a copy of which is attached to this Agreement as **Appendix C**. The Company hereby waives its right to a refund of the monies that it paid to the Pension Fund and/or to an executive insurance policy unless the Employee's right to severance pay is repudiated in a judgment pursuant to sections 16 and 17 of the Severance Pay Law, 5723-1963 (in accordance with the provisions thereof), or if the Employee withdraws monies from the pension fund and/or executive insurance policy, other than due to an "entitling event". For this purpose, an "entitling event": death, disability or retirement at age sixty or above. The Employee declares, confirms and undertakes that the Company's provisions for the executive insurance policy or pension fund shall stand in place of all of the severance pay owing to him if any, pursuant to section 14 of the Severance Pay Law, 5723-1963, and in accordance with the General Authorization referred to above.
7. **Study Fund** – The Company and the Employee shall maintain a study fund for the Employee to which the Company shall contribute, on a monthly basis, an amount equal to 7.5% of Salary to Study Fund (as defined below) (the "Company Portion") and the Employee shall contribute on a monthly basis an amount equal to 2.5% of Salary to Study Fund (the "Employee Portion"). Provided that the contributions according to this section will made for an amount of NIS 45,000 (the "**Salary to Study Fund**"). The Employee hereby instructs the Company to transfer the Employee Portion to the selected Study Fund. In the event that the Company Portion and Employee Portion exceed the maximum tax-exempt ceiling for Study Fund contributions, the exceeding amounts shall be recognized as ordinary income for tax purposes, on the date of their contribution to the selected Study Fund.
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8. **Vacation** – The Employee shall be entitled to leave of 23 days of work for each period of twelve (12) months of employment (the “**Annual Quota**”) but in any event, not less than that which is set out in the Annual Leave Law, 5711-1951, as such may be from time to time (the “**Annual Leave Law**”). However, the Employee shall be entitled to accrue vacation days in a quantity of not more than twice the Annual Quota (the “**Accrual Quota**”). Vacation days beyond the Accrual Quota shall be deleted without the Employee being given compensation for such. The dates for taking vacations shall be prescribed by the Company at its discretion, in accordance with its possibilities and needs, and where possible, taking into account the Employee’s wishes. The Company shall be entitled to decide on a uniform annual leave period for all or some of its employees, with respect to some or all of their annual leave quota, as it may see fit.
9. **Sick Pay**– The Employee shall be entitled to the payment of sick pay in accordance with the provisions of the Sick Pay Law, 5736-1976. Notwithstanding the aforesaid, you will be entitled to your full Salary from the first day of your sick leave .
10. **Convalescence Pay** – The Employee shall be entitled to payment of convalescence pay in accordance with the Extension Order regarding Payment of Convalescence Pay.
11. **Company Car** – In place of travel expenses, the Company shall provide the Employee with a company car, for the purposes of the Employee’s job capacity. The Company shall pay for all ordinary expenses in connection with the Car, including licensing fees, insurance, gasoline and repairs; however, the Company shall not pay for traffic tickets or infractions, toll road fees or any other penalties or fines. It is agreed that the Company shall bear all taxes associated with this car.
12. The Employee: (1) will ensure the Car is in good shape and will verify the conditions of the insurance policy will be fulfilled and satisfied (including instructions and requirements in connection with the protection of the Car); (2) use the Car in accordance with the Company’s policies, which will be effective from time to time; and (3) in the event the Employee’s employment with the Company shall expire, either by termination of employment or otherwise, the Employee shall return the Car to the Company with the keys to the Car as well as other related licenses and documents in connection with the Car, in accordance with the framework of this Agreement.
13. **Options** - Subject to the approval of such grant by the compensation committee and board of directors of the Company, the Employee shall be granted options to purchase 100,000 shares of common stock of ScoutCam, Inc.

Vesting period - 33.33% on the first anniversary of the Commencement Date, and 8.33% at the end of each subsequent three-month period thereafter over the course of the subsequent 2 years.

Exercise price - US \$4.5 per option.

14. **Signing Bonus** - The Employee shall receive a signing bonus in the framework of his first pay slip to be provided following the Commencement Date, in the aggregate (gross) amount of NIS 50,000 (the "**Signing Bonus**"). The Employee shall be required to repay the Signing Bonus in full in the event of termination of employment of the Employee for any reason prior to the first year anniversary of the Commencement Date.
15. **Performance Bonus** - The Employee shall be entitled, after the first year anniversary of the Commencement Date, to a performance bonus in the aggregate (gross) amount of NIS 120,000, pursuant to certain objectives, which will be set by the CEO of the Company.
16. **Options/RSU Compensation** - the company will consider, according to its sole discretion, after the first- and second-year anniversary of the Commencement Date, to grant the employee additional options / RSU pursuant to certain objectives, subject to the approval of such grant by the CEO and board of directors of the Company.
17. **Taxes and Mandatory Payments** – All of the taxes and benefits under this Agreement shall be gross sums. The Company shall deduct taxes and other mandatory payments as required by the law.

The Employee: /s/ Jacob Avinu

The Company: /s/ Yehu Ofer
/s/ Tanya Yosef

Appendix B – Deed of Undertaking

This Deed of Undertaking was executed on September 20, 2022 by Jacob Avinu, identity card no. 039058391, of **Nativ HaShayara 75**, Israel (hereinafter: the “Employee”).

Since the Employee wishes to enter into an employment agreement with ScoutCam Ltd. (the “**Company**”) and since the preservation of the Confidential Information (as defined below), the Company’s rights in Inventions (as defined below) and in all of the intellectual property rights auxiliary to such, are essential to the Company, the Employee is executing this Undertaking as a condition of his employment by the Company, and he undertakes to perform it verbatim.

In this Deed of Undertaking, all of the Employee’s undertakings to the Company shall be made to any parent companies, subsidiaries, sister companies and related companies to the Company, directly or indirectly, and the substitutes or transferees of such companies.

Confidential Information

1. The Employee recognizes the fact that he has and that he will have access to information that is confidential in nature (whether marked as such or not), that is related to the Company, including with respect to its commercial secrets, professional knowledge, technology, products (including products under development), research and development, experiments, formulas and processes, inventions, business, assets, financial condition, contracts and undertakings, obligations, operations, marketing and sales promotion issues, plans (including business and financial plans), strategies, procedures, forecasts, customers, suppliers, business partners and third parties to whom the Company has undertaken to keep information confidential and information relating to its employees, consultants, office bearers, directors and shareholders (all hereinafter jointly: the “**Confidential Information**”). The Confidential Information might be in any form whatsoever, including in writing, oral or on a magnetic or electronic medium. Confidential Information shall not include information that has come into the public domain as a result of a breach of this Deed of Undertaking by the Employee or information which the Employee is required to disclose pursuant to the legal demand of a competent authority, on condition that: (a) the Employee gives notice to the Company of such demand, immediately; (b) the Employee cooperates with the Company, if necessary, in order to reduce the scope of the demand; (c) the Employee does not disclose it beyond his duty to disclose in accordance with the aforesaid demand.
 2. During the term of his employment and at all times thereafter, without any limitation in time, the Employee shall strictly preserve the Confidential Information and shall ensure its confidentiality, and shall not disclose the Confidential Information to any person or entity and shall not use the Confidential Information other than for the Company’s benefit. The Employee recognizes and understands that his work at the Company and his access to the Confidential Information give rise to a relationship of trust with respect to such Confidential Information.
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3. The Employee declares that he has been made aware that all of the rights in the Confidential Information are the exclusive property of the Company (or of the third party to which the Company has undertaken to keep the Information confidential). Without derogating from the generality of the aforesaid, the Employee agrees that all of the Confidential Information that was prepared, collected, processed, received, kept or was in his use with respect to his employment in the Company (the "Material") shall be the exclusive property of the Company and shall be deemed to be Confidential Information. Everything relating to the Material, including originals, copies and summaries, shall be transferred by the Employee to the Company upon termination of the term of his employment or at any time prior to such at the Company's demand, without the Employee keeping any copies of the above and without the Employee having a right of lien over them. The Employee shall not remove the Material from the Company, unless such is required by virtue of his job and for the purpose of his employment, and unless such is permitted in accordance with the Company's procedures. If the Material is removed from the Company's offices as set out above, the Director shall take all of the necessary measures in order to maintain absolute confidentiality of the Material and shall return such to its place immediately after such use.
4. Unless there is a lawful permit or approval for such, the Employee shall not use nor disclose Confidential Information or commercial secrets belonging to any third parties including to previous employers, towards which the Employee has a duty of confidentiality or non-use (including any academic institution or any related entity).

Unfair Competition and Prohibited Solicitation

5. The Employee undertakes that during the course of his employment at the Company, he shall not contract, set up, open or be in any way involved, directly or indirectly, either as an employee, owner, partner, agent, shareholder, director, adviser or in any other many, any business, occupation, employment or any other activity that is in competition with the Company's business.

The Employee undertakes that during the period of 12 months following termination of his employment at the Company for any reason whatsoever, he shall not contract, set up, open or be in any way involved, directly or indirectly, either as an employee, owner, partner, agent, shareholder, director, adviser or in any other many, any business, occupation, employment or any other activity that is in which might reasonably include or require use of the Confidential Information. The Employee hereby confirms that it is reasonable that any engagement, set-up, opening or involvement, directly or indirectly, whether as an employee, owner, partner, agent, shareholder, director, adviser or in any other capacity, of any business, profession, employment or any other activity that is in competition with the Company's business, as such was during the term of the Employee's employment, or with the Company's business as planned during the term of his employment, might require the use of all or part of the Confidential Information.

The Employee agrees that in light of his position at the Company and his exposure to the Confidential Information, the provisions of this section 5 are reasonable and necessary for the purpose of lawfully protecting the Confidential Information, which constitutes a principal asset of the Company and he undertakes to perform such as a condition of his employment by the Company. The Employee declares that he has carefully read the provisions of this undertaking, that he understands the outcome of this undertaking and agrees to the provisions hereof, and that he has assessed the advantages and disadvantages involved in entry into this undertaking for himself.

The Employee hereby declares that he is aware that part of his Salary contains additional consideration that is being provided for the Employee's undertaking under this non-competition stipulation. Without derogating from the aforesaid, the Employee declares that he has the financial capability to enter into this non-competition undertaking.

6. The Employee undertakes that during the course of his employment at the Company and for a period of 12 months thereafter, he shall not solicit, persuade or try to persuade any employee of the Company to cease his employment at the Company or to reduce the scope of his employment at the Company, and that he shall not employ such an employee. Furthermore, the Employee shall not solicit, persuade, try to solicit or try to persuade, directly or indirectly, any consultant, service provider, agent, distributor, customer or supplier of the Company to terminate, reduce or alter their relationship with Company. All of the above shall apply both directly and indirectly.

Title to Inventions

7. The Employee shall give notice and shall transfer to the Company or to whomever is appointed for such on its behalf with all inventions, improvements, enhancements, formulas, processes, techniques, professional knowledge and technological information, whether able to be registered as a patent, as copyright or any similar law or not, which come into being, are invented, made, developed or raised as an idea or implemented, or which may be deduced by the Employee alone or jointly with others, during the course of the Employee's employment at the Company (including after business hours, on weekends, or during vacations) (all of the aforesaid shall hereinafter be defined as: "**Inventions**" or the "**Invention**"), immediately upon discovery, receipt, generation or invention thereof, as the case may be.
 8. The Employee agrees that any Inventions, as of the date of their invention or creation shall be the Inventions of the Company, shall be the exclusive property of the Company and its transferees, and the Company and its transferees shall be the exclusive owners of all of the property, rights and interests in the patents, copyright, commercial secrets and all of the other rights of any kind whatsoever, including moral rights with respect to the Inventions. The Employee hereby irrevocably and unconditionally assigns all of the rights set out below with respect to all of the Inventions to the Company: (1) all property, rights and interests in patents, patent applications and patent rights, extensions or expansions thereof; (2) rights related to a work, including copyright or applications for copyright, moral rights (as defined below) and proprietary rights in design; (3) rights related to the protection of commercial secrets and confidential information; (4) designs and the rights related thereto; (5) other proprietary rights related to intangible assets including trademarks, service marks and the implementation thereof, commercial names and packaging, and all of the goodwill related to them; (6) any property, rights and interests in any Invention; and (7) rights to sue for breach of any of the rights set out above and the right to revenues, royalties and other payments for the rights set out above. The Employee hereby waives all of the moral rights (as defined below) that it might have with respect to the Inventions, even after termination of his employment at the Company, and agrees never to sue with respect to such rights. "**Moral rights**" shall mean any right of an author to claim that his name be mentioned on his work, any right to object to any change in the work and any similar right that exists under any law in any country in the world, or under any treaty.
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9. The Employee has attached hereto as Appendix B1, a list of all of the Inventions, enhancements, improvements, formulas, processes, techniques, professional knowledge and technological information, whether able to be registered as a patent, as copyright or under any similar law, or not, and whether in fact implemented or not, original works and commercial secrets created or conceived or belonging to the Employee (whether generated by the Employee alone or jointly with others), which: (1) were developed by the Employee prior to his contract with the Company (hereinafter jointly: the "**Previous Inventions**"); (2) are related to the existing or planned business, products or research and development of the Company; and (3) are not assigned in favor of the Company pursuant to this Agreement; or, if the aforesaid **Appendix B1** is missing or not attached at all, the Employee hereby declares that no such Previous Inventions exist.
 10. The Employee undertakes that during the term of his employment at the Company and thereafter, he shall take all of the actions reasonably necessary or required by the Company and he shall assist the Company, at its expense, in any way that it may request, in order to register, preserve, protect and enforce the Inventions in all countries around the world. These actions shall include, inter alia, the execution of documents and assistance in legal proceedings. The Employee hereby irrevocably authorizes and appoints the Company or a person appointed on its behalf as attorney for the Employee to act in his stead and in his place, to sign any document, to submit it and to do any other action on behalf of the Employee which may be permitted under any law in order to enable the registration, preservation, protection and enforcement of the Inventions in all countries around the world.
 11. The Employee shall not be entitled with respect to the above to any monetary or other consideration apart from that set out expressly in his Employment Agreement or beyond the provisions of any other special agreement or arrangement in this regard made in writing and signed by the Company. Without derogating from the generality of the aforesaid, the Employee irrevocably confirms that the consideration paid to the Employee under the express conditions of this Employment Agreement shall be in lieu of any right that the Employee might have been entitled to receive by law for payment for the Inventions and the Employee hereby waives any right to receive royalties or any other payment for the Inventions, including under section 134 of the Patents Law, 5727-1967. With respect to the above, no arrangement, contract or agreement made orally or in writing shall have any effect unless such is in writing and lawfully signed by the Company.
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General

12. The Employee declares that in the performance of his undertakings under this Deed of Undertaking, and his function as an employee of the Company, he is not in breach of any undertaking regarding the assignment of inventions, non-competition, confidentiality or any similar undertaking towards, or right of, any previous employer (including any academic institution or any related entity). The Employee recognizes the fact that the Company has relied on this declaration in its decision to employ him at the Company.
 13. The Employee agrees that the provisions of this undertaking which constitute an integral part of the conditions of his employment, are reasonable and necessary for the purpose of protecting the legitimate interests of the Company with respect to the subject of this undertaking.
 14. The Employee recognizes that in the event of breach of any of the provisions of this Deed of Undertaking, the Company might suffer damages that cannot be remedied and therefore, in the event of a breach of this Deed of Undertaking, the Company shall be entitled to an injunction in order to enforce this Deed of Undertaking (without derogating from the other remedies to which the Company might be entitled in such a case, under any law).
 15. Should it be ruled by any competent judicial instance that any of the provisions of this Deed of Undertaking are not valid or enforceable, in any way whatsoever, such provision shall be enforced to the extent possible in accordance with the intention of the Company and the Employee. If such provision cannot be enforced in accordance with such intention, the provision shall be deemed to have been amended so that those parts of it which are held, as aforesaid, to be invalid or unenforceable, may be deleted therefrom, only in such country or region in which the decision that the provision is invalid or unenforceable as aforesaid has been handed down, in accordance with the local law. In addition, if it is held that a particular provision contained in this undertaking is too broad in terms of the time periods, geographical scope, actions or subject matter set out herein, it shall be interpreted such that the provision shall be limited and restricted with respect to such characteristic, so that the provision shall be enforceable to the greatest extent possible that is suitable to the applicable law as may be in force at such time.
 16. The provisions of this undertaking shall remain in full force even after termination of the employment between the Company and the Employee, for any reason whatsoever. This undertaking shall not in any way derogate from the undertakings and liabilities of the Employee under any law.
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17. The Employee hereby agrees that following termination of the employment between the Company and the Employee, the Company shall be entitled to give notice to the Employee's new employer of the Employee's rights and obligations pursuant to this Deed of Undertaking.
18. This Deed of Undertaking constitutes the full agreement between the Company and the Employee with respect to the subject of this Deed of Undertaking. Any addition, amendment or waiver of any undertaking pursuant to this Deed of Undertaking shall only be valid if in writing and signed by the Company as well. The Company's waiver of the Employee's undertaking shall constitute a one-time waiver and shall not constitute a precedent or serve for the drawing of inferences to similar, different or other cases.
19. This Deed of Undertaking and the rights and obligations hereunder shall be valid towards the substitutes, transferees and legal representatives of the Employee and the Company. The Company shall be entitled to assign all or part of its rights under this Deed of Undertaking. The Employee shall not convert, assign or otherwise transfer the duties imposed upon him under this Deed of Undertaking other than with the prior written consent of the Company.

The Employee: */s/ Jacob Avinu*

The Company: */s/ Yehu Ofer*
/s/ Tanya Yosef

Appendix C

General Authorization (Consolidated Version) regarding Employer Payments into Pension Funds and Insurance Funds in lieu of Severance Pay

Pursuant to the Severance Pay Law, 5723-1963

By virtue of my authority pursuant to section 14 of the Severance Pay Law, 5723-1963, (hereinafter: the "Law"), I authorize that payments made by the Employer as of the date of publication of this Certificate, for the Employee, into a comprehensive pension in an annuity fund which is not an insurance fund as defined in the Income Tax (Rules for Approval of and Management of Pension Funds) Regulations, 5724-1964 (hereinafter: a "Pension Fund"), or into an executive insurance policy which includes the ability to pay an annuity or a combination of payments into an annuity plan and a plan which is not an annuity plan, into such insurance fund (hereinafter: an "Insurance Fund"), including payments made by combining payments into a Pension Fund and an Insurance Fund, whether the Insurance Fund contains an annuity plan or not (hereinafter: "Employer Payments") shall stand in lieu of the severance pay owing on the Salary out of which the aforesaid payments are made, and for the period paid (hereinafter: the "Severance Salary"), provided that all of the above exist:

1. Employer's payments –

- (a) Into a Pension Fund shall be no less than $14\frac{1}{3}\%$ of the Severance Salary or 12% of the Severance Salary if the Employer also makes payments for the Employee, in addition to the above, for supplementation of severance pay into a severance pay pension fund or an Insurance Fund in the Employee's name in the rate of $2\frac{1}{3}\%$ of the Severance Salary. Where the Employer has not paid the aforesaid $2\frac{1}{3}\%$ in addition to the 12%, the Employer's payments shall stand in lieu of 72% of the Employee's severance pay only;
 - (b) Into an Insurance Fund are no less than one of the following:
 - (1) $13\frac{1}{3}\%$ of the Severance Salary, if the Employer pays for the Employee, in addition to the above, for monthly salary assurance in the event of loss of capacity to work, under a plan approved by the Commissioner for Capital Markets, Insurance and Savings at the Ministry of Finance, in the rate required to assure 75% of the Severance Salary at least, or in the rate $2\frac{1}{2}\%$ of the Severance Salary, whichever is the lesser (hereinafter: "Payment for Insurance of Loss of Capacity to Work");
 - (2) 11% of the Severance Salary, if the Employer also makes payment for insurance for loss of capacity to work, in which case the Employer's payments shall be in lieu of 72% of the Employee's severance pay, only; should the Employer make payments to supplement severance pay in addition to the above into a Pension Fund or Insurance Fund for severance pay in the Employee's name, in the rate of $2\frac{1}{3}\%$ of the Severance Salary, the Employer's payments shall be in lieu of 100% of the Employee's severance pay.
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2. No more than 3 months after the commencement of the Employer's payments, a written agreement is entered into between the Employer and the Employee containing:
- A. The Employee's consent to an arrangement under this Authorization in a form setting out the Employer's payments to the Pension Fund or Insurance Fund, as the case may be; such agreement shall also contain the wording of this Authorization;
 - B. A waiver by the Employer in advance of any right that it may have to restitution of the monies from its payments, unless the Employee's right to severance pay is repudiated in a judgment under sections 16 and 17 of the Law, and to the extent so repudiated, or that the Employee has withdrawn monies from the Pension Fund or the Insurance Fund not due to an entitling event; in this regard, "entitling event" – death, disability or retirement at the age of 60 or more.
 - C. This Authorization shall not derogate from an employee's right to severance pay under the Law, under a collective agreement, extension order or employment contract, in respect of salary above the exempt salary.

(Eliyahu Yishai)

The Employee: /s/ *Jacob Avinu*

The Company: /s/ *Yehu Ofer*
/s/ *Tanya Yosef*

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a)
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Yehu Ofer, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2022 of ScoutCam 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 year end 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 year end presented in this report;
4. The registrant's other certifying officer 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 year end 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 controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the year end covered by this report based on such evaluation; 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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 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.

Date: March 28, 2023

/s/ Yehu Ofer

Yehu Ofer
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a)
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Tanya Yosef, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2022, of ScoutCam 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 year end 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 year end presented in this report;
4. The registrant's other certifying officer 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 year end 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 controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the year end covered by this report based on such evaluation; 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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 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.

Date: March 28, 2023

/s/ Tanya Yosef

Tanya Yosef
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. § 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of ScoutCam Inc. (the "Company") on Form 10-K for the year ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Yehu Ofer, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (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 results of operations of the Company.

Date: March 28, 2023

/s/ Yehu Ofer

Yehu Ofer
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. § 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of ScoutCam Inc. (the "Company") on Form 10-K for the year ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Tanya Yosef, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (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 results of operations of the Company.

Date: March 28, 2023

/s/ Tanya Yosef

Tanya Yosef
Chief Financial Officer
(Principal Financial Officer)
