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, 2020

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

For the transition period from_____to_____

Commission File No. 001-37704

DARIOHEALTH CORP.

(Exact name of registrant as specified in its charter)

Delaware	**45-2973162**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
142 W. 57th St., 8th Floor **New York, New York**	**10019**
(Address of principal executive offices)	(Zip Code)

(646) 665-4667
(Registrant's telephone number, including area code)

Securities Registered pursuant to Section 12(b) of the Act

Title of each class	Trading Symbol(s)	Name of each exchange on which registered:
Common Stock, par value $0.0001 per share	**DRIO**	**The Nasdaq Stock Market LLC**
Warrants to purchase Common Stock	**DRIOW**	**The Nasdaq Stock Market LLC**

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

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value $0.0001 per share; Warrants to purchase Common Stock

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 (§ 232.405 of this chapter) 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. ☐

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 common equity held by non-affiliates computed by reference to the closing price as of the last business day of the registrant's most recently completed second fiscal quarter is $26,029,228.

As of March 5, 2021, the registrant had outstanding 15,273,389 shares of common stock, $0.0001 par value per share.

Documents Incorporated By Reference: None.

TABLE OF CONTENTS

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, or the Annual Report, contains "forward-looking statements," which includes information relating to future events, future financial performance, financial projections, strategies, expectations, competitive environment and regulation. Words such as "may," "should," "could," "would," "predicts," "potential," "continue," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates," and similar expressions, as well as statements in future tense, identify forward-looking statements. Forward-looking statements should not be read as a guarantee of future performance or results and may not be accurate indications of when such performance or results will be achieved. Forward-looking statements are based on information we have when those statements are made or management's good faith belief as of that time with respect to future events, and are subject to significant risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to:

- our current and future capital requirements and our ability to satisfy our capital needs through financing transactions or otherwise;
- our launch and market penetration plans;
- the expected execution of agreements with various providers for our solution;
- our ability to manufacture, market and generate sales of our medical devices, including Dario Blood Glucose monitor, Dario Blood Pressure monitor and Dario Weight Scale;
- our ability to commercialize our membership programs, including our per member per month program for people with diabetes and hypertension, and our Business to Business to Consumer ("B2B2C") services;
- our ability to develop, launch and commercialize the Dario Loop;
- our ability to maintain our relationships with key partners;
- our ability to complete required clinical trials of our product and obtain clearance or approval from the United States Food and Drug Administration (the "FDA"), or other regulatory agencies in different jurisdictions;
- our ability to maintain or protect the validity of our U.S. and other patents and other intellectual property;
- our ability to retain key executive members;
- our ability to internally develop new inventions and intellectual property;
- interpretations of current laws and the passages of future laws; and
- acceptance of our business model by investors.

The foregoing does not represent an exhaustive list of matters that may be covered by the forward-looking statements contained herein or risk factors that we are faced with that may cause our actual results to differ from those anticipated in our forward-looking statements. Please see "Risk Factors" for additional risks that could adversely impact our business and financial performance.

Moreover, new risks regularly emerge and it is not possible for our management to predict or articulate all the risks we face, nor can we assess the impact of all risks on our business or the extent to which any risk, or combination of risks, may cause actual results to differ from those contained in any forward-looking statements. All forward-looking statements included in this Annual Report are based on information available to us on the date of this Annual Report. Except to the extent required by applicable laws or rules, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained above and throughout this Annual Report.

When used in this Annual Report, the terms "DarioHealth," "the Company," "we," "our," and "us" refer to DarioHealth Corp., a Delaware corporation and our subsidiary LabStyle Innovation Ltd., an Israeli company. "Dario" is registered as a trademark in the United States, Israel, China, Canada, Hong Kong, South Africa, Japan, Costa Rica, and Panama. "DarioHealth" is registered as a trademark in the United States and Israel.

All information in this Annual Report relating to shares or price per share reflects the 1-for-20 reverse stock split effected by us on November 18, 2019.

PART I

Item 1. Business

Overview

We are a leading global Digital Therapeutics ("DTx") company revolutionizing the way people manage their health across the chronic condition spectrum to live a better and healthier life. Our mission is to transform how affected individuals manage their health and chronic conditions by empowering our customers to easily manage their conditions and take steps to improve their overall health. Most chronic conditions are driven by personal behaviors and the individual actions that are or are not taken. We believe that changing these behaviors can dramatically improve our customers' overall health and substantially reduce unnecessary health spending. However, behavioral change and habit formation are difficult, especially in managing chronic disease and related conditions. Our digital therapeutics endeavor to produce lasting behavior changes in our customers by applying a novel combination of artificial intelligence ("AI")-driven dynamic personalization and behavioral science at scale. This allows us to engage and support our customers, and offer them a complete virtual care solution, ideally resulting in improved health outcomes and reduced total cost of care.

Our principal operating subsidiary, LabStyle Innovation Ltd., is an Israeli company with its headquarters in Caesarea, Israel. We were formed on August 11, 2011, as a Delaware corporation with the name LabStyle Innovations Corp. On July 28, 2016, we changed our name to DarioHealth Corp. We began our sales in the direct-to-consumer space, solving first for what we deemed the most difficult problems: how to engage users and support behavior change to improve clinical outcomes in diabetes. Our most developed AI tools leverage the direct-to-consumer experience from over 150,000 members to drive superior engagement and outcomes. In early 2020, we broadened our solutions to include other medical conditions in addition to diabetes, and to serve business customers who seek to improve the health of their stakeholders. Presently, we have deployed solutions for diabetes, hypertension, and pre-diabetes, and through our acquisition of Upright Technologies Ltd. ("Upright"), we now offer solutions for musculoskeletal ("MSK") conditions. We are currently delivering B2B2C solutions for providers, employers, and pharmaceutical companies, and we plan to develop a full-risk health plan business, which we expect will provide our AI driven, remote patient monitoring ("RPM") and coaching for a variety of chronic conditions, across a range of customer product lines in 2021.

Upright Technologies Ltd., which we acquired in February 2021, is a leading digital MSK health company focused on preventing and treating the most common MSK conditions through behavioral science, biofeedback, coaching, and wearable tech. Upright has over 90,000 active users and its clinically validated solution is recommended by more than 500 clinics worldwide.

In-market first-generation digital health solutions offer static or nominal personalization at best, integrating signals to customize nudges or personalize communications in a manner that does not significantly adapt to changing user needs over time, while user journey's, or experiences, remain fairly static. First generation solutions generally lack user experience benefit of insight from tens of thousands of direct-to-consumer engagements over years that adaptively personalize user journeys for high engagement and outcomes. These solutions are often described as "fingerprinted," but while fingerprints don't change over time, users do. As a result, any static or minimally dynamic approaches are not sufficiently customized to address user needs.

Market intelligence confirms that enterprise customers are frustrated by existing solutions with static user journeys, limited transparency, inability to integrate with existing technologies and workflows, low engagement and retention and challenges with flexible deployments. Some customers want a single solution for most-major chronic conditions, others wish to deploy piecemeal solutions or may have already invested in solutions for a portion of their populations. Health systems and health plans have invested significantly in their technology and digital strategy and require solutions that interoperate with their existing and planned deployments. First generation digital health solutions that have piloted with complex customers such as health plans have been forced to pivot their business strategies to employers and others owing to enrollment, integration, return on investment and reporting challenges. Our solutions are designed from the ground-up for integration, can be deployed for single or multiple conditions, deliver behavioral-science informed dynamically personalized and integrated user journeys, deliver clear returns on investment in required time horizons and allow for real-time granulated customer reporting.

Unlike other digital health solutions, we also personalize user experience beyond nudges. Healthcare journeys and pathways must be individualized, informed by behavioral science, and dynamically responsive to drive engagement and outcomes. Customized, dynamic user journeys are delivered by our AI-driven journey engine, the "Dario Loop" (formerly called Dario Intelligence), which personalizes user experience across a range of factors including timing, tone, channel, content, frequency, and intervention. We believe that our dynamic personalized approach ensures superior engagement and retention, reduced costs, and ultimately, improved user health. This is reflected in our user experience feedback, with an unparalleled 4.9 out of 5 stars across more than 15 thousand reviews in the Apple App Store, a best-in-class net promoter score of 76, and industry-leading, published improvements in clinical metrics such as estimated glucose monitoring ("HbA1c"), hypertension ("HTN"), pain and health-related quality of life.

Our Solutions

We offer a customized, user-centric, modular platform integrating digital therapeutics, coaching, devices, and care providers. Our suite of offerings includes Dario Tools, which are devices that integrate with applications on a user's smartphone, DarioEngage, a population health management platform ("DarioEngage"), and the Dario Loop, our AI-driven journey engine.

Dario Tools

Our platform is designed for integration across a range of devices including partner devices. Our digital architecture and user experience can easily integrate with partnered devices such as continuous glucose monitor ("CGM") and other remote patient monitoring devices. For example, we recently partnered with one of the "big 4" diabetes companies to integrate their meter as well in certain commercial deployments. Our native devices include:

- All-in-one smart glucose meter
- Bluetooth connected blood pressure cuff
- Digital Scale
- Upright MSK training device

Because of the widespread and growing use of smartphones and the evolution of user preferences, our primary device is the user's smartphone. Our connected device strategy has been to develop or acquire devices when existing market requirements are not adequately met (for example, our smart glucometer and Upright's MSK device), and to partner with best-in-class devices for the remaining applications (including, for example, our digital scale, blood pressure cuff, and CGM).

DarioEngage

Dario targets conditions for which behaviors drive a significant portion of the outcomes, and which conditions bear a substantial cost burden to our users. We combine our "Dario Tools" with our software, by which we offer RPM of their conditions and progress. Dario divides its solutions into metabolic and non-metabolic categories:

- Metabolic conditions currently deployed include diabetes (primarily type I and type II), hypertension and obesity/pre-diabetes.
- Non-Metabolic conditions currently deployed include MSK conditions.

We present our users with a digital center of excellence - a low friction integrated experience from contracting through onboarding, data exchange, enrollment, outcomes, and reporting. Regardless of which conditions or populations our customers select, and independent of whether they choose to deploy portions of their strategy through other partners, we present a unified application experience that simplifies deployments, creates market-leading transparency, and accelerates and broadens user engagement.

The Dario Loop

Users vary significantly in their interests and preferences, and unique user preferences also vary over time, insofar as optimal timing, tone, content, channel, frequency, and intervention required to produce sustained behavior change. Users interactions with devices, smartphones, coaches, providers, and third-party solutions must be personalized along these axes to ensure optimal engagement, retention, and outcomes. To engage and sustain user interest and participation, and to drive outcomes, platforms must be dynamically responsive. Because of a lack of responsiveness to these types of variances, many digital health platforms that achieve high initial engagement often fail to retain users over time.

Key to our ability to accommodate user behavioral changes is our mature AI-driven user journey engine, the "Dario Loop." While several in-market solutions now integrate health signals across a range of categories to apply limited, nominal personalization, primarily in the form of nudges, our solution is informed by years of user experience data from over 150,000 users, enabling us to continually personalize and adapt user journeys over time. The Dario Loop journey engine drives our multichannel targeted outreach and enrollment campaigns, informs specific recommendations around a range of categories such as diet, physical activity, self-care, coaching interventions, and provider engagement, and evolves in real time in response to the data exhaust from a user's interaction with the care ecosystem.

The Dario Loop combines complex behavioral science insights with data from tens of thousands of users over several years to recommend AI-driven initial and updated care journeys in response to a user's engagement with the platform. Most digital health solutions consist primarily of tracking, content, and nudges. These are often perceived by users as non-rewarding work, and often do not feel relevant to their concerns, particularly as they evolve over time. We believe that current in-market solutions trivialize within person changes over time and do not appropriately respond to dynamically evolving interests of users. This results in reduced engagement and impaired outcomes. The Dario Loop adapts user journeys' to drive engagement, retention, and clinical outcomes by optimizing timing, tone, channel, content, frequency and intervention to deliver dynamically personalized user journeys that are more likely to result in the behavior changes needed to drive improved outcomes across a range of conditions. As we partner with solutions in additional conditions or categories, we "loop them in" to our solution, enhancing the engagement and efficacy of these partnered solutions to deliver additional value to our users. The engine is designed for integration and scale; as we add populations and conditions for which behaviors are primary drivers of outcomes, our engine becomes more adept at customizing a user's preferences and needs.

Our Growth Strategies

Add customers across a range of channels. Due to our unique ability to deploy flexibly and interoperability, and since we cover the range of chronic conditions of common concern to health plans, providers and employers, we are experiencing increased interest in our behavior change platform for chronic diseases. We have already engaged with several large providers and one fortune 500 company subsidiary, and are in late stage negotiations to enter contracts with several health plans on their fully insured businesses. We anticipate continued growth and demand in these channels as we acquire customers. Each additional contract not only increases revenues, but also the likelihood of attracting additional new customers as they recognize our solutions being adopted and trusted by peers and competitors.

Increase the eligible populations within customers. Initially, Dario's solutions were deployed for type I and type II diabetes. Since that time, we have added HTN, MSK. Each new condition added increases our ability to cover larger portions of our customers' populations, thereby reducing the need for our customers to engage multiple vendors, and reducing their costs as compared to the alternative of partnering with multiple solutions to cover the conditions and categories that we cover on one single platform.

Drive Engagement. Our business model is predominantly a subscription model, where we charge per user engaged on the platform. As our AI matures and as we deploy increasingly dynamic and adaptive personalization, we intend to engage a large portion of eligible populations, potentially driving increased revenue. A user is considered as an engaged user if (i) the user is measuring high blood glucose and/or blood pressure using our app and our connected devices, (ii) a user is interacting with our coach via one of the communication channels such as chat, SMS, email or phone call, or (iii) a user who is performing one of the following activities on his application such as: reading messages of articles sent to him over the app, setting or updating goal on his application, updating his profile, tagging meals, recording intake of drugs and other activities available on our application.

Optimize solutions for value. Our customers primarily engage for 3 key reasons: (1) the opportunity for cost savings; (2) our competitive advantage in breadth of conditions serviced and our AI technology; and (3) revenue opportunities from our digital center of excellence. Our pricing strategy is designed to deliver return on investment to our customers soon after engagement, and steadily over time. As we evolve our solutions to deliver increased value to our users, we can offer customers value-based pricing models that can lead to greater revenue.

Acquisitions and Partnerships. In early 2021, as part of our plan to expand our suite of offerings to provide a wider range of solutions to our potential customers, we acquired Upright, and we are now planning to deploy a comprehensive MSK virtual clinic in the second half of 2021.

Post-COVID Rebalancing: The COVID-19 pandemic has had a major impact on health. Our members and eligible members were disproportionately affected as researched showed that chronic condition comorbidities increased the risk of hospitalization and death from COVID-19. In 2020, telehealth and digital care spiked significantly, as health plans and providers sought to deliver solutions virtually. Across the industry, telehealth use spiked in 2020 and has since withdrawn some, albeit to still more than 50x pre-pandemic levels. However, telehealth as delivered today is not appreciably different from how it was delivered 30 years ago, with largely telephone only visits, and even where video is present, remote monitoring, real-time data and device integration remain mostly absent. Our customers and potential customers recognize the tremendous potential of building on the shift to telehealth with the evolution of more complete virtual care models as they see the limitations of pure telehealth-based care for chronic conditions.

Sales and Marketing

Our initial marketing efforts in the United States were focused on the early adopter users who have diabetes and who are paying out of pocket for their monitoring tools to manage their chronic condition, and we have concentrated our efforts in gaining market share and brand awareness through direct-to-consumer marketing efforts.

In 2018, we began to expand our marketing efforts to the insured population by offering our DarioEngage platform to a variety of healthcare providers who are supporting and coaching individuals with diabetes. We believe this will help us to diversify our revenues, from only selling our Dario Blood Glucose Monitoring System and its consumables to revenues generated from providing online real-time monitoring, supervising and coaching capabilities to all relevant healthcare providers who support individuals with diabetes and hypertension, and in the longer terms also other chronic conditions. As part of these efforts, during 2019 we announced our planned cooperation with Attain Health, Giant Eagle, BestBuy, and Better Living Now (BLN).

On the marketing side, we primarily utilize online marketing in order to create awareness of Dario. Rather than solely rely on an online advertisement, we will also consider revenue sharing with affiliate networks and a variety of other pay-for-performance methods commonly used in online commerce.

We also expect to collaborate with the medical community to showcase what we expect will be the Dario Smart Diabetes Management Solution’s clinical equivalence and usability superiority through DarioEngage and Dario Loop.

As part of transforming our offering from the direct-to-consumer market to the (B2B2C and payors market, in the beginning of 2020, we hired a President and General Manager for North America who is leading our sales and marketing organization in the United States aimed to offer our digital solution to health plans, employers, hospital, clinics, and remote patient monitoring centers. We expect this organization to grow as we enter into service agreements with such payors. In that regard, in 2020, we announced a variety of agreements expanding our sales in the B2B2C market including: (i) in January 2021, our announcement that we entered into an agreement to provide its digital therapeutics solution to eligible employees of a subsidiary of a U.S. based Fortune 500 technology and engineering company, which was obtained through our partnership with the Vitality Group ("Vitality"); (ii) in December 2020, we announced that we entered into an agreement to provide our RPM solution to Presbyterian Medical Services, one of the largest integrated healthcare systems in the State of New Mexico, effective January 1, 2021; (iii) in November 2020, we announced that we entered into an agreement to provide our digital therapeutics solution to eligible employees of a U.S.-based Fortune 500 technology company; (iv) in October 2020, we announced our inclusion in Vitality's Gateway Flex offering, allowing our digital therapeutics platform to be marketed to Vitality's vast employer base that provides benefits solutions to 20 million people, (v) in September 2020, we announced our partnership with HMC Healthworks, that extends our reach into HMC's vast multi-employer client base through which HMC is currently managing more than one million members; (vi) in July 2020, we announced that we entered the U.K. RPM market through an agreement with Williams Medical, making our platform available to healthcare professionals throughout the U.K. and Ireland; and (vii) in June 2020, we announced two RPM agreements in the U.S., allowing healthcare providers to monitor patients between office visits while utilizing new CMS reimbursement codes, an added source of revenue.

Manufacturing

As we do not directly manufacture our products ourselves, we have supply agreements with manufacturers for the Dario Blood Glucose Monitoring System, glucose test strips, lancing devices, lancets, blood pressure monitor and weight scale. We have arrangements in place with commercial-scale manufacturers for both the Dario Blood Glucose Monitoring System, for our test strips and the other devices. As a result of investments, we have made over the past several years, we own the specialized equipment used to manufacture Dario Blood Glucose Monitoring System.

During 2015, we commenced the manufacturing of our Dario Blood Glucose Monitoring System with a Chinese manufacturer as part of our efforts to further reduce manufacturing cost. At the beginning of 2016, we transitioned our manufacturing to a new Chinese manufacturer as part of our effort to increase our manufacturing capacity and improve cost savings.

Our primary product offering is primarily subscription based software and services which do not require manufacturing, and which are developed by us.

Clinical Studies and Outcomes

Our platform is planned to target different chronic conditions. Our initial focus has been on diabetes because that is a condition in which we believe there is the biggest opportunity to make a meaningful impact and improve healthcare outcomes and lower costs. It is also a condition that is associated with multiple different comorbidities, each of which represents a significant health and economic burden. The majority of our end-users are individuals with type 2 diabetes. Most people with type 2 diabetes are diagnosed after age 45 and have at least two co-existing chronic conditions. The most common chronic condition in people living with type 2 diabetes include hypertension (73.6%), overweight/obesity (87.5%), hyperlipidemia (75.2%), chronic kidney disease (36.5%), and cardiovascular disease (32.2%). Typically, the health of people with type 2 diabetes is managed by a primary care physician, although few may also be seen by an endocrinologist.

On average, people with type 2 diabetes see a physician more than five times per year. While there are a number of metrics that physicians use to track the health of these patients, the most common is hemoglobin A1c, or HbA1c, which measures the average 90-day glycemic (blood glucose) level in red blood cells. Clinical guidelines published by the ADA suggest that a reasonable HbA1c target for many non-pregnant adults is less than 7%, or 154 milligrams per deciliter. A higher HbA1c has been associated with increased health risk and associated costs. The ADA estimates that annual healthcare costs for a person with diabetes cost an average of $16,750 compared to $7,151 for a healthy individual. Research published by Oxford University in the United Kingdom suggests that a 1% reduction in HbA1c levels leads to a 21% reduction in death from diabetes, a 14% reduction in heart attacks and a 43% reduction in peripheral vascular disease. Monitoring HbA1c levels is typically done through routine blood work in a clinical laboratory with a physician order. Treatment can involve a range of therapies, the most common of which is lifestyle management such as nutrition, physical activity and medication. Physicians will also employ various strategies to manage diabetes-associated comorbidities.

We believe that patients using a digital diabetes management platform have the potential to promote behavioral modification and sustain adherence to diabetes management, demonstrating better glycemic control. Our sophisticated customer-focused solutions provide significant, meaningful improvements in the measurable clinical outcomes of our members.

Clinical Studies

The system accuracy and user performance of our product has been evaluated in several studies that we have performed, in over 1,300 diabetic patients from 2015 through 2017, and was found compliant with the most stringent current requirements of FDA guidelines and international standards then in effect.

Clinical validation of our product was performed with 350 diabetic patients for each product type, namely the meter with the audio jack and the meter with the lightning connector, and the results that were achieved were as follows:

- Dario BGMS (Android): For all subject's samples 96.6% within ±15% and 100% within ±20% of the medical laboratory values at the entire glucose concentrations range

- Dario LC BGMS (iPhone, Lightning connector): For all subject's samples 96.3% within ±15% and 99.4% within ±20% of the medical laboratory values at the entire glucose concentrations range.

Published Clinical Data

Since 2017, we have conducted numerous real-world-data studies through analyzing the clinical data of our user's utilizing the rapidly increasing database that is stored on our data cloud.

Several scientific studies were published by us between 2017 and through 2020 in leading diabetes conferences such as the ADA, AADE and ATTD.

Main Highlights

In all of the below studies, we believe that the results show a trend of continued improvement, demonstrating a direct correlation between using the Dario Blood Glucose Monitoring System and app and improving clinical parameters. The combination of Dario's Blood Glucose Monitoring System and app may promote behavioral modification and enhanced adherence to diabetes management, demonstrating improvement in glycemic outcomes and sustainment for a long period of time.

Dario reported an Average Reduction in Estimated HbA1C of 1.4% for High-Risk type 2 Diabetes Users.

Dario presented at the 77th ADA session a study that was titled "Reducing A1C Levels in Individuals with High-Risk Diabetes Using the Mobile Glucose Meter Technology." In the study Dario reported an average reduction in estimated HbA1C of 1.4% for high-risk type 2 Diabetes users.

At the ADA 2018 session, Dario presented three real-world-data analysis studies, as detailed below.

Type 2 Diabetes Users of Dario Digital Diabetes Management System Experience a Shift from Greater than 180 mg/dL to Normal Glucose Levels with Sustainable Results

- *Reduction of 19.3% in high glucose readings within 12 months*

- *Increase of 11.3% in in-range readings within 12 months*

***Method**: A retrospective data evaluation study was performed on the Dario^{TM} cloud database. A population of all active Type 2 Diabetic (T2D) users that took measurements with Dario^{TM} BGMS on average of 20 measurements per month during 2017. The study assessed the ratio of all high blood glucose readings (180-400 mg/dL) and the ratio of all normal blood glucose readings (80-120 mg/dL) in their first month of use to their last month of use during 2017 as recorded in the database.*

***Results**: For 17,156 T2D users activated during 2017 the average ratio of high events (180-400 mg/dL) was reduced by 19.3% (from 28.4% to 22.9% of the entire measurements). While at the same time, the ratio of normal range readings (80-120 mg/dL) was increased by 11.3% (from 25.6% to 28.5% of the entire measurements). The most significant shift occurred after one month of usage (14% decrease) and maintained stability over the following months throughout the full year. |*

***Updated Analysis** combining 2017 and 2018 data totals 38,838 Type 2 Diabetes active users and 3,318,014 measurements show 14.3% decrease in high readings (180-400 mg/dL) and 9.2 % increase in In-range (80-120 mg/dL) readings*

A decrease in High Readings and Severe Hyperglycemic Events for People with T2D over the Full Year of 2017 in Users Monitoring with Dario Digital Diabetes Management System

- *Reduction of 20% of High events (180-400 mg/dL) in T2D sustained within 12 months*
- *Reduction of 58% of Hyper events (>400mg/dL) in T2D within 12 months*

***Method:** A retrospective data evaluation study was performed on the Dario^{TM} cloud database. A population of active Type 2 Diabetic (T2D) users that continuously measured their blood glucose using Dario^{TM} BGMS during the full year of 2017 was evaluated. The study assessed the ratio of high (180-400 mg/dL) and hyperglycemic (>400mg/dL) blood glucose readings during full year of 2017 as recorded in the database. The average of high and hyperglycemic glucose readings were calculated in periods of 30-60, 60-90, 90-120, 120-150, 150-180, 180-210, 210-240, 240-270, 270-300, 300-330, 330-360 days and compared to first 30 days as a starting point of analysis.*

***Results:** For 225 T2D active users the ratio of high events (180-400 mg/dL) was reduced gradually in 19.6% (from 23.4% to 18.8% of the entire measurements) from baseline compared to the 12th month of the year. Moreover, the ratio of severe hyperglycemia events (>400 mg/dL) was decreased in 57.8% (from 0.90% to 0.38% of the entire measurements) at the same period.*

Continuous Reduction of Blood Glucose Average during One Year of Glucose Monitoring Using Dario Digital Monitoring System in a High-Risk Population

- *Reduction of 14% Blood Glucose average was observed in T2D within 12 months*
- *76% of the population showed 24% improvement in Blood glucose average within 12 months*

***Methods**: An exploratory data analysis study reviewed a population of high risk active type 2 Diabetic users with initial 30 days glucose average above 180 mg/dL during a full calendar year. The study assessed the average blood glucose readings along a year of usage. The average of glucose readings was calculated per user in periods of 30 days intervals from 30-60 to 330-360 days and compared to the first 30 days as the starting point baseline of analysis.*

***Results:** Overall of 238 highly engaged T2D users (more than one daily measurement in average) whose average blood glucose level was above 180mg/dL in the first 30 days of measurements (225±45 mg/dL) showed continuous reduction in glucose level average vs. baseline. Reduction in blood glucose average level was demonstrated gradually, in the succeeding 3, 6 and 12 months showing average decrease of 7%, 11% and 14% vs. baseline, respectively. Furthermore, 76% of the entire population (180 out of 238 users) improved their average blood glucose level over a year. Those 180 users (average blood glucose 228±46) showed an average decrease of 10%, 16% and 24% in their glucose average following 3, 6 and 12 months, respectively.*

At the American Association of Diabetes Educators (AADE) 2018 Dario presented a study titled "Decrease in Estimated A1C for people in High-risk over a full year of users monitoring with a digital Diabetes management system."

A reduction of 1.4% in estimated HbA1C in Type 2 Diabetes high risk users from baseline after one year of the Dario system use.

***Method**: A retrospective data evaluation study was performed on the Dario^{TM} cloud database. A population of high-risk (with baseline A1C > 7.5 percent), active users that continuously measured their blood glucose using Dario^{TM} BGMS during a full year was evaluated. The study assessed estimated A1C values based on blood glucose readings during a full year as recorded in the database. The estimated A1C values were calculated in periods of 3, 6, 9 and 12 months and compared to first 30 days as a starting point of analysis.*

***Results**: A group of 363 high-risk Dario BGMS users (A1C>7.5) with greater than two blood glucose measurements taken per day in the first 30 days and in the 12th month of the year was selected. Estimated A1C was improved by -0.7, -0.8 and -1 percent from baseline to 3, 6 and 9 months respectively, and remained -1 percent lower following 12 months of usage (8.65±0.96 vs.7.65±1.0). Moreover, subgroup analyses by diabetes type revealed substantial estimated A1C improvement among people with T2D showing improvement of -1 percent from baseline to 3, 6 months and 1.4 percent following 12 months (8.5 ± 0.91% vs. 7.14% ± 0.98%).*

An additional study evaluated on the potential improvement in glycemic variability in Type 2 diabetes over six months in patients monitoring with Dario Digital Diabetes Management System. Dario presented the study results at the Advance Technologies and Treatment for Diabetes (ATTD) conference in February 2019 in Berlin. We presented two additional studies outcomes at ADA 2019 conference.

Decrease in Glycemic Variability for T2D over Six Months in Patients Monitoring with Dario Digital Diabetes Management System

- *Reduction of 14%-18% in measurements variability was observed in T2D within 6 months*
- *Hypo events (<70 mg/dL) remained <1 event on average*

***Method:** A retrospective data evaluation study was performed on the Dario^{TM} database. A population of T2D high-risk patients (blood glucose measurements average (GM_{avg}) >180 mg/dL) measuring more than 20 times in the first 30 days (analysis baseline) was evaluated on days 60-90 (3 months) and 150-180 days (6 months). Standard deviation (SD) and GM_{avg} were calculated and compared to the baseline.*

***Results:** A group of 698 T2D high-risk Dario^{TM} users was selected. GV was reduced by 10% and 14% from baseline through 3 and 6 months, respectively (SD of 55.7, 58.4 vs.65.0). GM_{avg} was reduced by 8% and 12% from baseline through 3 and 6 months, respectively (201.1±25.57, 192.8±54.3 vs. 219.5±38.5) while patient's hypoglycemic event (<70mg/dL) was in average, less than one (<1) during this period. Subgroup analyses (355 patients) revealed substantial GV improvement among non-Insulin T2D patients. The GV was reduced by 14% and 18% from baseline through 3 and 6 months, respectively (SD of 52.8, 50.7 vs.61.7).*

T2D Users of Dario Digital Diabetes Management System Experience an Increase of in-range Glucose Levels Linked to App Engagement

Relative Increase of 10 % In-range linked to App engagement

***Method**: A retrospective data evaluation study was performed on the Dario^{TM} cloud database. A population of active Type 2 Diabetic (T2D) users (>15 measurements per month on average) was evaluated. The study assessed the ratio of in-range blood glucose readings (70-140 mg/dL) as a function of App engagement level for 6 months as recorded in the database compared to first 30 days as a starting point of analysis.*

Results*: A population of 4917 T2D non-insulin users measuring more than 15 times per month on average during 6 months in a row was evaluated. The ratio of in-range (70-140 mg/dL) readings was increased following 3 months in correlation to the level of tagging meal reference/carbs/physical activity occurrences (4.0%, 9.1% and 11.9% for tagging 0-1, 1-2 and >2 times per day on average, respectively) and sustained for 6 months (3.1%, 7.0% and 12.2%, respectively). In subgroup analysis focusing on users entering their meal reference, high correlation was observed following 3 months with an increase of in-range measurements in 4.6%, 8.4% and 12.0% for 0-1, 1-2 and >2 meal reference tagging per day on average, respectively, and maintained stability over 6 months period (3.2%, 7.4%, and 12.5%, respectively).*

Reduction of Blood Glucose Average Less than 140mg/dL in People with Type2 Diabetes Using Dario Digital Diabetes Management System

30-40% of T2D Dario users experienced Reduction of Blood Glucose Average below 140 mg/dL

Method: *A retrospective data evaluation study was performed on the Dario™ cloud database. A population of active T2D users that continuously measured for 6 months was evaluated. The study assessed their BG avg and estimated A1C (eA1C) values based on blood glucose readings as recorded in the database. Values were calculated in periods of 3 and 6 months and compared to their first 30 days as a starting point analysis.*

Results: *A group of 1248 Dario BGMS T2D active users (1.98 measurements per day on average during 6 months in a row) with BG avg >140mg/dL (eA1C>6.5) was evaluated.100% reduced their BG avg along 6 months on average.*

A group of 31% (387) achieved BG avg of <140 mg/dL (eA1C<6.5) following 3 months showing 19% reduction on average from baseline (132.38±13.36 vs.162.79±25.41 mg/dL and eA1C 6.24±0.46 vs 7.3±0.88) and sustained their glycemic control during a 6 months period (131.57±13.86 mg/dL and eA1C 6.21±0.48).

Subgroup analyses of 568 non-insulin users revealed that 40% (226) achieved a BG avg <140 mg/dL following 3 months (131.95±13.21 vs.161.67±24.18 mg/dL and eA1C 6.22±0.46 vs 7.26±0.84) and sustained for 6 months period (131.03±13.70 mg/dL and eA1C 6.19±0.47). Along the 6 months period, hypo events (<50mg/dL) per user per month on average remained stable.

In August 2019 another study was presented at the AADE 2019 in Atlanta. The study evaluated the “Impact of Digital Intervention on In-range Glucose Levels in Users with Diabetes.” The study results showed 6% improvement in average blood glucose levels over 3 months intervention program for a group of 162 users. A 39% increase in the in-range measurements was observed in a subgroup of 101 patients who started with average blood glucose levels of over 140mg/dL.

In February 2020, we presented an additional clinical study at the Advanced Technologies & Treatments for Diabetes (“ATTD”) conference in Madrid, Spain. The presented data shows the Dario digital therapeutics platform successfully assists insulin dependent patients with diabetes in reducing hypoglycemic events.

Decrease in Hypoglycemia Events Over Two Years in Patients Monitoring with Dario’s Digital Diabetes Management System

Method: A retrospective data analysis was performed on the Dario real-world database. Insulin dependent of users with type 1 or type 2 diabetes population was evaluated for two year of continuous system use. Average numbers of level 1 hypoglycemia (<70mg/dL) and level 2 hypoglycemia (<54 mg/dL) events were calculated monthly and compared to baseline (first month).

Results: For 1481 type 1 and type 2 insulin dependent users, average of level 1 hypoglycemia events and level 2 were reduced by 24% and by 17% after 6 months and by 50% and 57% after 2 years vs. baseline respectively. Users with type 1 diabetes (N=363) reduced level 1 hypoglycemia events by 50% and Level 2 by 55% after 2 years. Moreover, a 40% reduction in high blood glucose readings was observed as well after 2 years.

In November 2020, we presented additional clinical study data at the Virtual Diabetes Technology Society (DTS) meeting. The presented data indicated the potential for a digital diabetes management solution to effect and sustain glycemic control improvements and demonstrated long term reduction of blood glucose average (eA1c) and glycemic variability in type 2 diabetes over two years. The system assists users through a variety of mechanisms including behavior modification in diabetes self-management and in long-term routines for self-care.

The Effect of a Digital Therapeutic Platform on Glycemic Control in Adults above Age 65 with Type 2 Diabetes.

Reduction of 13% blood glucose average in age group ≥65 (N=298) at six months by 13% sustained for 12 months.

Reduction of 38.1% in high readings ratio (>250 mg/dL) in the ≥65 age group at six months and by 41.5% at 12 months.

Method: A retrospective study of high-risk users (BG avg >180 mg/dL equivalent to e A1c 8.0) 2 with type 2 diabetes that measured their blood glucose using the Dario® platform database over two consecutive years was performed. The minimum engagement level for inclusion was at least two blood glucose measurements per day on average taken in Month 1 and Month 24. Actual blood glucose readings were taken by the Dario meter and loaded into the cloud database. These were evaluated for the blood glucose average (BGavg), estimated A1c (eA1c)values and glycemic variability (by Standard Deviation; SD) following 24 months compared to the first month (baseline).

Results: 368 high-risk, T2D active and engaged users for at least consecutive 2 years were identified and assessed for their risk-level and insulin usage. A group of 148 T2D, non-Insulin users that started with a blood glucose average (BG avg) >180 mg/dl (equivalent to eA1c>8.0) consistently reduced their BG avg by 18% on average and sustained these values (179±45 vs. 219±56 mg/dL) following 2 years on the Dario platform. Glycemic variability was reduced over two years by 20% on average (SD:45 vs. 56) .. Substantial reductions were observed for higher risk groups (insulin and non-insulin treated). The subset that started with average BG levels > 212 mg/dL (eA1c >9.0) and average BG levels >240 mg/dL (eA1c>10) reduced their average BG by 22.5% and 25.7% respectively on average over two years. The equivalent reductions in eA1c were 1.95% and 2.42%

In August 2020, we presented an additional clinical study at the Virtual Association of Diabetes Care & Education Specialists (ADCES) conference. The presented observational study data demonstrated better glycemic and blood pressure control. Patients using an integrated chronic disease management digital platform have the potential to improve user activation which may assist to better manage their blood glucose and blood pressure levels and sustain behavioral change.

Impact of Digital Management on Clinical Outcome in Patients with Chronic Conditions: Diabetes and Hypertension.

Hypertension: Increase in normal level % measurements from 6% to 12% while hypertension stage 2 measurements decreased from 53% to 45%. 70% of the users (243 out of 345) improved their blood pressure levels by 8.4 mmHg Systolic and 6.2 mmHg on average.

Glucose levels: A reduction of 33% in high readings (>250 mg/dL) and 67% in severe events (>400 mg/dL) was observed over six months.

Methods: A retrospective data evaluation study was performed on the Dario™ cloud database. A population of active users that measured both blood pressure and blood glucose for at least 3 months was observed. Blood pressure and blood glucose levels were evaluated. First month measuring on Dario platform was used as study baseline. Clinical outcomes examined were blood pressure values, percentage of blood pressure categories, average blood glucose (BGavg) and high blood glucose readings (>250 mg/dL, >400 mg/dL) ratios.

Results: A group of 345 active users started at baseline with Hypertension stage 1, 2 or hypertensive crisis levels and measured following 3 months was evaluated.

- Blood pressure:
  - Normal levels increased from 6% to 12% and percentage of users with hypertension stage 2 decreased from 53% to 45%
  - 70% of the users (243 out of 345) improved their blood pressure levels in 8.4 mmHg Systolic and 6.2 mmHg on average (Systolic 134.2±12 vs.142.6±14; Diastolic 89.9 ±11 vs.83.7 ±8.7)

- Blood Glucose:
  - A group of 345 users measured with Dario their blood glucose in addition to blood pressure, 89% are type 2 and pre-diabetes - average age is 60.4.
  - For the group of 345 users a reduction of 33% (5.4% vs.8.0%) in high readings ratio (>250 mg/dL) and 67% (0.3%vs.0.9%) in severe events ratio (>400 mg/dL) was observed following six months on average.

A subset of 114 users with diabetes in higher risk started with BG average >160 mg/dL improved their average blood glucose by 14% (207±47 vs.177±50 mg/dL) following six months.

In June 2020, we presented two clinical studies at the ADA Virtual conference. The presented data from these studies showed:

- The use of a digital diabetes platform resulted in a large population are consistent with previous studies and show the potential to promote behavior modification in users with T2D. The study demonstrated that digital management platforms may assist user to better control their blood glucose levels and sustain behavioral change. This observational data presented an improvement in high glycemia readings ratios, and an increase in prediabetes fasting blood glucose levels sustained over one year.

- The additional study confirmed the potential of digital diabetes solutions to sustain glycemic achievements in users with type 2 diabetes over two years. The system may assist the users to experience an actual behavior modification in their diabetes self-management as well as in their long-term routine for self-care.

Users with type 2 diabetes using a digital platform experienced sustained improvement in blood glucose levels.

Method: A retrospective data evaluation (Q1:2018-2019) was performed on the Dario® data base. A population of active users (18 measurements per month with the Dario® System on average) with T2D, non-Insulin treated was evaluated over a full year. High blood glucose readings (180-400 mg/dL, >250 mg/dL), fasting readings (<126 mg/dL) and post-meal readings (<180mg/dL) ratios were assessed in their first month of use until the 12th month.

Results: For 9,200 users with T2D, non-Insulin users, the average ratio of high glycemia events (180-400 mg/dL) from entire set of measurements was reduced by 26% (18.62% vs. 23.43%) while readings of >250mg/dL were reduced by 33% (4.65% vs. 6.93%) over a year. Fasting measurements analysis revealed an increase of 16% in ratios of readings <126 mg/dL per entire set of fasting measurements (40.59% vs. 34.92%) on average. Post-meal readings ratio of <180 mg/dL per entire post-meal measurements increased by 5% (73.75% vs. 70.42%) on average over a year.

Estimated A1C Reduction in High-Risk Patients over Two Years of Using a Digital Diabetes Management Platform

Method: A retrospective data evaluation study was performed on high-risk users with type 2 diabetes that measured their blood glucose using Dario® platform database for two consecutive years. The study assessed BGavg, estimated A1c (eA1c) values and glycemic variability following 24 months compared to the first month (baseline).

Results: A group of 148 high-risk users with type 2 diabetes, non-Insulin treated was evaluated. Their BGavg was of >180mg/dL (eA1c>8.0) for users taking ∼2 blood glucose measurements per day in the first month and in the 24th month on average. Their BGavg was consistently reduced by 18% and sustained (179±45 vs. 219±56 mg/dL) and eA1c was reduced by 1.5 percentage points (9.26±1.3 vs. 7.86±1.8). Glycemic variability was reduced by 20% (SD: 45 vs. 56) at the end of 2 years. Additional analysis of 220 users with type 2 diabetes,147 started with eA1c >9.0% and 73 started with eA1c >10%, revealed substantial eA1c reduction of 2.0 percentage points (10.31 ± 1.8% vs. 8.36 ± 1.2%) and 2.4 percentage points (11.15 ± 1.2% vs. 8.73% ± 2.1%) from baseline after 2 years, respectively. Glycemic variability was reduced by 20% for both (SD: 55 vs. 69 and 59 vs. 74, respectively).

Government Regulation

The principal markets that we have initially targeted for Dario are the United States, Canada, the European Union, Australia, and New Zealand. The following is an overview of the regulatory regimes in these jurisdictions.

United States Regulation Generally

In the United States, devices are subject to varying levels of regulatory control, the most comprehensive of which requires that a clinical evaluation is conducted before a device receives clearance for commercial distribution. Under Section 201(h) of the Food, Drug, and Cosmetic Act, a medical device is an article, which, among other things, is intended for use in the diagnosis of disease or other conditions, or in the cure, mitigation, treatment or prevention of disease, in man or other animals. The Dario Blood Glucose Monitoring System is classified as a medical device and subject to regulation by numerous agencies and legislative bodies, including the FDA and its foreign counterparts. FDA regulations govern product design and development, pre-clinical and clinical testing, manufacturing, labeling, storage, pre-market clearance or approval, advertising and promotion, and sales and distribution. Specifically, the FDA classifies medical devices into one of three classes. Class I devices are relatively simple and can be manufactured and distributed with general controls. Class II devices are somewhat more complex and require greater scrutiny. Class III devices are new and frequently help sustain life.

Unless an exemption applies, each medical device commercially distributed in the United States will require a 510(k) clearance, 510(k)+ "de-novo" clearance, or pre-market approval (or PMA) from the FDA.

510(k) Clearance Process. After a device receives 510(k) clearance, any modification that could significantly affect its safety or effectiveness, or that would constitute a major change in its intended use, requires a new 510(k) clearance or could even require a premarket application approval. The FDA requires each manufacturer to make this determination in the first instance, but the FDA can review any such decision. If the FDA disagrees with the determination, the agency may retroactively require the manufacturer to seek 510(k) clearance or premarket application approval. The FDA also can require the manufacturer to cease marketing and/or recall the modified device until 510(k) clearance or premarket application approval is obtained.

De Novo Classification. If the FDA denies 510(k) clearance of a device because it is novel and an adequate predicate device does not exist, the "de novo classification" procedure can be invoked based upon a reasonable assurance that the device is safe and effective for its intended use. This procedure approximates the level of scrutiny in the 510(k) process but may add several months to the clearance process. If the FDA grants the request, the device is permitted to enter commercial distribution in the same manner as if 510(k) clearance had been granted.

Premarket Application Approval Process. After approval of a premarket application, a new premarket application or premarket application supplement is required in the event of a modification to the device, its labeling or its manufacturing process. The premarket application approval pathway is much more costly, lengthy and uncertain. It generally takes from one to three years or longer.

European and Non-European Regulation Generally

Sales of medical devices outside the United States are subject to foreign regulatory requirements that vary widely from country to country. These laws and regulations range from simple product registration requirements in some countries to complex clearance and production controls in others. As a result, the processes and time periods required to obtain foreign marketing clearance may be longer or shorter than those necessary to obtain FDA clearance.

The commercialization of medical devices in Europe is regulated by the European Union. The European Union presently requires that all medical products bore the CE mark, an international symbol of adherence to quality assurance standards and demonstrated clinical effectiveness. Compliance with the Medical Device Directive (MDD) or the Active Implantable Medical Device Directive (AIMD) or the In Vitro Diagnostic Medical Device Directive (IVDD) as audited by a notified body and certified by a recognized European Competent Authority, permits the manufacturer to affix the CE mark on its products.

In September 2013, we obtained ISO 13485 certification for our quality management system and CE Mark certification to market Dario, and in May 2015 Dario was cleared to fulfill the criteria according to EN ISO 15197:2013 The granting of the CE Mark allows Dario to be marketed and sold in 32 countries across Europe as well as in certain other countries worldwide. On November 21, 2014, MDSS, our European Authorized Representative, completed the registration of the Dario Blood Glucose Monitoring System with the German Authority as required by Article 10 of Directive 98/79/EC on in vitro diagnostic medical devices. We commenced an initial soft launch of the product in Europe in 2014, created initial demand for the product and established brand awareness and marketing techniques to reach our target market with a goal to continue expansion to new markets and territories.

We achieved regulatory clearance to market Dario in other countries that do not rely on the CE Mark. To date, the non-CE Mark jurisdictions which we have begun to market Dario include the United States, New Zealand, Canada, and Australia.

To the extent that we seek to market our product in other non-CE Mark countries in the future, we will be required to comply with the applicable regulatory requirements in each such country. Such regulatory requirements vary by country and may be tedious. As a result, no assurance can be given that we will be able to satisfy the regulatory requirements to sell our products in any such country.

Clinical Studies

Even when a clinical study has an approved Investigational Device Exemption (IDE) from the FDA under significant risk (SR) determination, has been approved by an Institutional Review Board (IRB) under non-significant risk (NSR) determination and/or has been approved by local or regional Ethics Committee, the study is subject to factors beyond a manufacturer's control, including, but not limited to the fact that the institutional review board at a given clinical site might not approve the study, might decline to renew approval which is required annually, or might suspend or terminate the study before the study has been completed. There is no assurance that a clinical study at any given site will progress as anticipated; the interim results of a study may not be satisfactory leading the sponsor or others to terminate the study, there may be an insufficient number of patients who qualify for the study or who agree to participate in the study or the investigator at the site may have priorities other than the study. Also, there can be no assurance that the clinical study will provide sufficient evidence to assure regulatory authorities that the product is safe, effective and performs as intended as a prerequisite for granting market clearance. See "Clinical Trials" above for clinical trials performed to date.

Post-Clearance Matters

Even if the FDA or other non-US regulatory authorities approve or clear a device, they may limit its intended uses in such a way that manufacturing and distributing the device may not be commercially feasible. After clearance or approval to market is given, the FDA and foreign regulatory agencies, upon the occurrence of certain events, are authorized under various circumstances to withdraw the clearance or approval or require changes to a device, its manufacturing process or its labeling or additional proof that regulatory requirements have been met.

A manufacturer of a device approved through the premarket approval application process is not permitted to make changes to the device which affects its safety or effectiveness without first submitting a supplement application to its premarket approval application and obtaining FDA clearance for that supplement. In some instances, the FDA may require a clinical trial to support a supplement application. A manufacturer of a device cleared through a 510(k) submission or a 510(k)+ "de-novo" submission must submit another premarket notification if it intends to make a change or modification in the device that could significantly affect the safety or effectiveness of the device, such as a significant change or modification in design, material, chemical composition, energy source or manufacturing process. Any change in the intended uses of a premarket approval application device or a 510(k) device requires an approval supplement or cleared premarket notification. Exported devices are subject to the regulatory requirements of each country to which the device is exported, as well as certain FDA export requirements.

Mobile Medical Applications Guidance

On September 23, 2013, the FDA issued final guidance for developers of mobile medical applications, or apps, which are software programs that run on mobile communication devices and perform the same functions as traditional medical devices. The guidance outlines the FDA's tailored approach to mobile apps. The FDA plans to exercise enforcement discretion (meaning it will not enforce requirements under the Federal Food, Drug & Cosmetic Act) for the majority of mobile apps as they pose minimal risk to consumers. The FDA plans to focus its regulatory oversight on a subset of mobile medical apps that present a greater risk to patients if they do not work as intended. The FDA is focusing its oversight on mobile medical apps that:

- are intended to be used as an accessory to a regulated medical device – for example, an application that allows a health care professional to make a specific diagnosis by viewing a medical image from a picture archiving and communication system (PACS) on a smart mobile device or a mobile tablet; or

- transform a mobile platform into a regulated medical device – for example, an application that turns a smart mobile device into an electrocardiography (ECG) machine to detect abnormal heart rhythms or determine if a patient is experiencing a heart attack.

Ongoing Regulation by FDA

Even after a device receives clearance or approval and is placed on the market, numerous regulatory requirements apply. These include:

- establishment registration and device listing;

- quality system regulation, which requires manufacturers, including third-party manufacturers, to follow stringent design, testing, control, documentation, and other quality assurance procedures during all phases of the product life-cycle;

- labeling regulations and FDA prohibitions against the promotion of products for uncleared, unapproved or "off-label" uses, and other requirements related to promotional activities;

- medical device reporting regulations, which require that manufacturers report to the FDA if their device may have caused or contributed to a death or serious injury or malfunctioned in a way that would likely cause or contribute to a death or serious injury if the malfunction were to recur;

- corrections and removals reporting regulations, which require that manufacturers report to the FDA field corrections and product recalls or removals if undertaken to reduce a risk to health posed by the device or to remedy a violation of the Federal Food, Drug and Cosmetic Act that may present a risk to health; and

- post-market surveillance regulations, which apply when necessary to protect the public health or to provide additional safety and effectiveness data for the device.

Failure to comply with applicable regulatory requirements can result in enforcement action by the FDA, which may include any of the following sanctions: fines, injunctions, civil or criminal penalties, recall or seizure of our current or future products, operating restrictions, partial suspension or total shutdown of production, refusing our request for 510(k) clearance or PMA approval of new products, rescinding previously granted 510(k) clearances or withdrawing previously granted PMA approvals.

We may be subject to announced and unannounced inspections by the FDA, and these inspections may include the manufacturing facilities of our subcontractors. If, as a result of these inspections, the FDA determines that our or our subcontractor's equipment, facilities, laboratories or processes do not comply with applicable FDA regulations and conditions of product clearance, the FDA may seek civil, criminal or administrative sanctions and/or remedies against us, including the suspension of our manufacturing and selling operations.

Ongoing Regulation by International Regulators

International sales of medical devices are subject to foreign government regulations, which may vary substantially from country to country.

In order to maintain the right to affix the CE Mark to sell medical devices in the European Union, an annual surveillance audit in the company premises and, if needed, at major subcontractors' premises needs to be carried out by the notified body. Additionally, European Directives dictate the following requirements:

- Vigilance system, which requires the manufacturer to immediately notify the relevant Competent Authority when a company product has been involved in an incident that led to a death; led to a serious injury or serious deterioration in the state of health of a patient, user or another person; or might have led to death, serious injury or serious deterioration in health; and

- Post-market surveillance including a documented procedure to review experience gained from devices on the market and to implement any necessary corrective action, commensurate with nature and risks involved with the product.

Failure to comply with applicable regulatory requirements can result in enforcement action by the regulatory agency, which may include any of the following sanctions: fines, injunctions, civil or criminal penalties, recall or seizure of our current or future products, operating restrictions, partial suspension or total shutdown of production, refusing our request for renewing clearance and/or registration of our products or granting clearance/registration for new products.

State Licensure Requirements

Several states require that Durable Medical Equipment ("DME") providers be licensed in order to sell products to patients in that state. Certain of these states require that DME providers maintain an in-state location. If these rules are determined to be applicable to us and if we were found to be noncompliant, we could lose our licensure in that state, which could prohibit us from selling our current or future products to patients in that state.

Federal Anti-Kickback and Self-Referral Laws

The Federal Anti-Kickback Statute prohibits the knowing and willful offer, payment, solicitation or receipt of any form of remuneration in return for, or to induce the:

- referral of a person;

- furnishing or arranging for the furnishing of items or services reimbursable under Medicare, Medicaid or other governmental programs; or

- purchase, lease, or order of, or the arrangement or recommendation of the purchasing, leasing, or ordering of any item or service reimbursable under Medicare, Medicaid or other governmental programs.

To the extent we are required to comply with these regulations, it is possible that regulatory authorities could allege that we have not complied, which could subject us to sanction. Noncompliance with the federal anti-kickback legislation can result in exclusion from Medicare, Medicaid or other governmental programs, restrictions on our ability to operate in certain jurisdictions, as well as civil and criminal penalties, any of which could have an adverse effect on our business and results of operations.

Federal law also includes a provision commonly known as the "Stark Law," which prohibits a physician from referring Medicare or Medicaid patients to an entity providing "designated health services," including a company that furnishes durable medical equipment, in which the physician has an ownership or investment interest or with which the physician has entered into a compensation arrangement. Violation of the Stark Law could result in denial of payment, disgorgement of reimbursements received under a noncompliant arrangement, civil penalties, and exclusion from Medicare, Medicaid or other governmental programs.

Federal False Claims Act

The Federal False Claims Act provides, in part, that the federal government may bring a lawsuit against any person whom it believes has knowingly presented, or caused to be presented, a false or fraudulent request for payment from the federal government, or who has made a false statement or used a false record to get a claim approved. In addition, amendments in 1986 to the Federal False Claims Act have made it easier for private parties to bring "qui tam" whistleblower lawsuits against companies. Penalties include fines ranging from $5,500 to $11,000 for each false claim, plus three times the number of damages that the federal government sustained because of the act of that person.

Civil Monetary Penalties Law

The Federal Civil Monetary Penalties Law prohibits the offering or transferring of remuneration to a Medicare or Medicaid beneficiary that the person knows or should know likely to influence the beneficiary's selection of a particular supplier of Medicare or Medicaid payable items or services. Noncompliance can result in civil money penalties of up to $10,000 for each wrongful act, assessment of three times the amount claimed for each item or service and exclusion from the Federal healthcare programs.

State Fraud and Abuse Provisions

Many states have also adopted some form of anti-kickback and anti-referral laws and false claims acts. A determination of liability under such laws could result in fines and penalties and restrictions on our ability to operate in these jurisdictions.

Administrative Simplification of the Health Insurance Portability and Accountability Act of 1996

The Health Insurance Portability and Accountability Act of 1996, or HIPAA, mandated the adoption of standards for the exchange of electronic health information in an effort to encourage overall administrative simplification and enhance the effectiveness and efficiency of the healthcare industry. Ensuring the privacy and security of patient information is one of the key factors driving the legislation.

Intellectual Property

Patent applications

On May 8, 2011, certain of our founders filed a Patent Cooperation Treaty (PCT) Application No. PCT/IL2011/000369, titled "Fluids Testing Apparatus and Methods of Use." This PCT claimed priority from two preceding U.S. provisional applications filed by our founders, with the earliest priority date being May 9, 2010. The PCT application was transferred to us by our founders on October 27, 2011.

This application covers the novel blood glucose measurement device, comprising the glucose meter; and an adaptor that connects the glucose meter to a smart-phone to receive power supply and data display, storage, and analysis. A PCT search report and written opinion on patentability that we received from World Intellectual Property Organization (known as WIPO) that included only two "Y" citations and one additional non-relevant reference. Corresponding national applications of our PCT were filed in the U.S., Europe, Japan, China, Australia and Israel.

On May 1, 2014, we announced the receipt of a U.S. Notice of Allowance for a key patent relating to how the Dario Blood Glucose Monitoring System draws power from and transmits data to a smartphone via the audio jack port. This patent was issued as U.S. Patent No. 8,797,180 in August 2014, and in August2015, we received U.S. patent (No. 9,125,549) that broadened our registered patent No. 8,797,180 to include testing of other bodily fluids through an audio jack connection. We believe these early patents represent critical intellectual property recognition and a significant initial validation of our intellectual property efforts. Further, a corresponding European patent was granted to us in May 2016, as European patent No. 2569622 for testing of fluids through an audio jack connection. An additional corresponding patent was granted in Israel in April 2016. In February 2016 we were granted U.S. patent No. 9,257,038, which is a further Continuation application connected to the U.S. patent No. 8,797,180, this new patent enhanced the way the Dario Blood Glucose Monitoring System communicates with the end user's smartphone devices.

In November 11, 2017, U.S. patent No. 9,832,301 titled “Systems and methods for adjusting power levels on a monitoring device” was granted. This patent enhances the way the Dario Blood Glucose Monitoring System communicates with users’ smartphone devices. This family includes a corresponding pending application in China.

Additionally, we recently received U.S. patent No. 10,445,072 that enables optical communication between the Dario Blood Glucose Monitoring System and the end user’s smartphone devices.

Additional patent applications are in the process of being discussed and developed, and we believe that we have a rich potential pipeline of future technologies that we intend to develop.

For example, we are further seeking to develop and protect new intellectual property around future generations of our hardware and software with the goal of achieving enhanced functionality, user interface, data usability, cyber protection, and artificial intelligence enhancement.

Design patents and patent applications on the Dario Blood Glucose Monitoring System

To further protect our market distinction and branding for the Dario Blood Glucose Monitoring System, three U.S. Design Applications have been filed and granted covering the glucose meter, the cartridge, and connection dongle. At least some of these applications were granted and registered in the United States, as well as Brazil, Canada, China, Europe, and Hong Kong.

Trademark applications

We have also filed several families of trademark applications covering the “Dario” name (wordmark), the Dario name and logo (logo), the Dario logo alone (logo), the DARIO-LITE wordmark, the LABSTYLE INNOVATIONS wordmark, the DARIOHEALTH wordmark, and the DARIOHEALTH logo. In particular, the “Dario” wordmark is registered as a trademark in the Australia, Canada, China, Costa Rica, United States, Israel, China, Canada, Hong Kong, South Africa, Japan, Costa Rica, Europe, Israel, Japan, Korea, Mexico, New Zealand, Panama, Russia, South Africa, and the USA. The “DARIOHEALTH” wordmark is registered as a trademark in the United States, Canada, China and India.

Utility Models

We have been granted Utility Models for our core invention in Japan and Germany.

Other intangible assets

As the number of Dario users grows, an ever-growing amount of data is being collected from diabetic patients, including their blood sugar levels, meal compositions, routines, physical exercise (intensity and duration) as well as many other factors, and lately also blood pressure data, which are all useful for creating meaningful correlations between these factors and insulin use. We expect that this database will be highly valuable and may be capitalized in many ways. The accumulation of this type of know-how and related algorithms are protected as trade secrets using specialized confidentiality protocols.

Competition

In recent years, a number of digitally supported solutions have emerged to manage diabetes and other chronic conditions. Competitors are developing new technologies rapidly and, in some cases, are also expanding to manage other chronic conditions. In this crowded field, our success is predicated on our flexibility to adapt to evolving customer requirements in digital health and superior execution in engagement, retention and clinical outcomes in a manner that delivers clear return on investment in required time-horizons and in complex, highly regulated business environments. We expect new entrants in the field and the emergence of novel technologies, as well as competition from larger technology platform players such as Amazon, Apple and Google. Dario’s competitors vary by intervention (devices, applications, coaching and analytics), by channel (health plan, pharma, provider, employer) and by condition (including, for example, diabetes, MSK, HTN, and others). Certain of our competitors offer this integrated approach in varying degrees, including, among others, Hinge Health, Inc., Livongo Health Inc. (acquired by Teladoc Health Inc.), Omada Health, Inc., Vida Health, Inc., Virta Health Corp., Informed Data Systems Inc. (OneDrop), Glooko, Inc., and OnDuo LLC. We believe that our competitors are comparatively disadvantaged along several axes:

- Our competitors offer point solutions for a single condition (which model is unattractive to enterprise customers needing to manage multiple vendor relationships);

- Our competitors fail to share member-level data or granular reporting with partners, which prevents these partners from leveraging their own assets to support care;

- Competitor applications have limited or minimal levels of personalization, where communications (or "nudge") from the application may be somewhat personalized, but actual user experiences are heavily templated, and not personalized or dynamic;

- Competitor applications are supported only by short term outcome data, as compared to our studies which cover a 2-year period and offer 7 years of direct-to-consumer data;

- Failure of any one of our competitors to successfully engage and retain a substantial portion of the base population, as none has the direct-to-consumer experience or data required, resulting in frustrated customers who cannot realize promised cost savings;

- Customers of our competitors suffer an inadequate user experience, as evidenced by few app store reviews and low scores in Apple, Google and Amazon stores;

- Our competitors offer medical device-oriented approaches with delayed product update cadences, rather than our more agile, software-driven approaches that push out new products every few weeks;

- Our competitors have slowed their improvements in the area of clinical metrics (including, for example, blood pressure, HbA1c, and pain), which decreases the solution's return on investment;

- Our competitors often utilize cumbersome form factors and alternative connected devices, which are not easily portable or that otherwise require significant user effort for connectivity. By contrast, our diabetes solution, for example, utilizes lancets, strips and a dongle held in a lipstick-sized device that physically connects to a user's phone and doesn't require independent charging. As another example, our MSK device is small and easily attaches to body parts for convenient and easy use;

- Our competitors' applications experience limited interoperability and connectivity, such that they are unable to integrate with third party devices, electronic health records or partnered solutions; and

- Our competitors have higher costs; our solutions are priced 30-50% lower than current comparable in-market solutions.

Employees

As of March 1, 2021, we had 127 full-time employees and 12 part-time employees. We have employment agreements with our five executive officers. See "Management – Employment Agreements."

Item 1A. Risk Factors

Investing in our securities is highly speculative and involves a high degree of risk. You should carefully consider the following factors and other information in this Annual Report and our other SEC filings before making a decision to invest in our securities. Additional risks and uncertainties that we are unaware of may become important factors that affect us. If any of the following events occur, our business, financial conditions and operating results may be materially and adversely affected. In that event, the trading price of our common stock and warrants may decline, and you could lose all or part of your investment.

Summary of Risk Factors

Our business is subject to a number of risks, including risks that may adversely affect our business, financial condition and results of operations. These risks are discussed more fully below and include, but are not limited to, risks related to:

Risks Related to Our Financial Position and Capital Requirements

- Risks associated with our relatively new business;
- our future capital needs and their potential impact on our existing stockholders;
- our history of losses and stockholder's inability to rely upon our historical operating performance;

Risks Related to Our Business

- the acceptance of our products in the market and our exposure to market trends;
- the impact of COVID-19 on our operations;
- our risks of basing our business on the sale of our principal technology;
- our reliance on manufacturers and distributors;
- the impact of a failure of our digital marketing efforts;
- our reliance on the Apple App Store and Google's Android platform;
- the risks associated with conducting business internationally;
- potential errors in our business processes and product offerings;
- our reliance on the performance of key members of our management team and our need to attract highly skilled personnel;
- the integration of Upright's business;

Risks Related to Product Development and Regulatory Approval

- the expense and time required to obtain regulatory clearance of our products;
- our limited clinical studies and the susceptibility to varying interpretations of such studies;
- our ability to complete clinical trials;
- the failure to comply with the FDA's Quality System Regulation or any applicable state equivalent;
- our reliance on third parties to conduct clinical trial work;
- the impact of legislation and federal, state and foreign laws on our business, including protecting the confidentiality of patient health information;
- the potential impact of product liability suits;

Risks Related to Our Intellectual Property

- the risks relating to obtaining or maintaining our intellectual property;
- potential litigation relating to the protection of our intellectual property;
- our limited foreign intellectual property rights;
- Our reliance on confidentiality agreements and the difficulty in enforcing such agreements;

Risks Related to Our Industry

- the intense competition we face in the markets we operate;
- our need to respond quickly to technological developments;
- the risks relating to obtaining or maintaining our intellectual property;
- the risks relating to third-party payors not providing for adequate coverage and reimbursement for our products;

Risks Related to Our Operations in Israel

- the risks relating to the political, economic and military instability that may exist in Israel;
- the potential for operations to be disrupted as a result of obligations of Israeli citizens to perform military service;
- the difficulty in enforcing judgements against us or certain of our executive officers and directors;

Risks Related to the Ownership of Our Common Stock and Warrants

- the ability for our officers, directors and founding stockholders to exert influence over our affairs;
- the potential lack of liquidity, or volatility, of our common stock and warrants;
- the impact of analysts not publishing research or reports about us;
- the expense relating to our requirements as a U.S. public company;
- the potential failure to maintain effective internal controls over financial reporting;
- the existence of anti-takeover provisions in our charter documents and Delaware law; and
- that we do not intend to pay dividends on our common stock.

Risks Related to Our Financial Position and Capital Requirements

We were formed in August 2011 and are thus subject to the risks associated with new businesses.

We were formed in August 2011 as a new business and, commencing from 2015, we entered the commercialization stage of our technology. As such, this limited operating history may not be adequate to enable you to fully assess our ability to develop and commercialize the Dario Smart Diabetes Management Solution, achieve market acceptance of the Dario Smart Diabetes Management Solution, develop other products and respond to competition. We commenced a commercial launch of the free Dario Smart Diabetes Management application in the United Kingdom in late 2013 and commenced an initial soft launch of the full Dario Smart Diabetes Management Solution (including the app and the Dario Blood Glucose Monitoring System) in selected jurisdictions in March 2014 with the goal of collecting customer feedback to refine our longer-term roll-out strategy and continued to scale up launch during 2014 in the United Kingdom, the Netherlands and New Zealand, in 2015 in Australia, Israel and Canada and in 2016 in the United States. These efforts have not generated sufficient revenues, and we will need to generate additional revenues over the next years. Therefore, we are, and expect for the foreseeable future to be, subject to all the risks and uncertainties, inherent in a new business and the development and sale of new medical devices and related software applications. As a result, we may be unable to fully develop, obtain regulatory approval for, commercialize, manufacture, market, sell and derive material revenues in the timeframes we project, if at all, and our inability to do so would materially and adversely impact our viability as a company. In addition, we still must establish many functions necessary to operate a business, including finalizing our managerial and administrative structure, continuing product and technology development, assessing and commencing our marketing activities, implementing financial systems and controls and personnel recruitment.

Accordingly, you should consider our prospects in light of the costs, uncertainties, delays and difficulties frequently encountered by companies in their initial revenue generating stages, particularly those in the medical device and mobile health fields. In particular, potential investors should consider that there is a significant risk that we will not be able to:

- implement or execute our current business plan, or that our business plan is sound;
- maintain our management team and the Company's board of directors (the "Board of Directors");
- raise sufficient funds in the capital markets or otherwise to effectuate our business plan;

- determine that our technologies that we have developed are commercially viable; and/or
- attract, enter into or maintain contracts with, and retain customers.

In the event that we do not successfully address these risks, our business, prospects, financial condition, and results of operations could be materially and adversely affected.

Given our limited revenue and lack of positive cash flow, we will need to raise additional capital, which may be unavailable to us or, even if consummated, may cause dilution or place significant restrictions on our ability to operate.

According to our management's estimates, based on our current cash on hand and further based on our budget and the assumption that initial commercial sales will commence during our anticipated timeframes, we believe that we will have sufficient resources to continue our activities through 2023.

Since we might be unable to generate sufficient revenue or cash flow to fund our operations for the foreseeable future, we will need to seek additional equity or debt financing to provide the capital required to maintain or expand our operations. We may also need additional funding for developing products and services, increasing our sales and marketing capabilities, and promoting brand identity, as well as for working capital requirements and other operating and general corporate purposes. Moreover, the regulatory compliance arising out of being a publicly registered company has dramatically increased our costs.

We do not currently have any arrangements or credit facilities in place as a source of funds, and there can be no assurance that we will be able to raise sufficient additional capital on acceptable terms, or at all. If such financing is not available on satisfactory terms, or is not available at all, we may be required to delay, scale back or eliminate the development of business opportunities and our operations and financial condition may be materially adversely affected.

If we raise additional capital by issuing equity securities, the percentage ownership of our existing stockholders may be reduced, and accordingly these stockholders may experience substantial dilution. We may also issue equity securities that provide for rights, preferences and privileges senior to those of our common stock. Given our need for cash and that equity raising is the most common type of fundraising for companies like ours, the risk of dilution is particularly significant for stockholders of our company.

Debt financing, if obtained, may involve agreements that include liens on our assets, covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, could increase our expenses and require that our assets be provided as a security for such debt. Debt financing would also be required to be repaid regardless of our operating results.

If we raise additional funds through collaborations and licensing arrangements, we may be required to relinquish some rights to our technologies or candidate products, or to grant licenses on terms that are not favorable to us.

Funding from any source may be unavailable to us on acceptable terms, or at all. If we do not have sufficient capital to fund our operations and expenses, we may not be able to achieve or maintain competitiveness, which could lead to the failure of our business and the loss of your investment.

We have incurred significant losses since inception. As such, you cannot rely upon our historical operating performance to make an investment decision regarding our company.

Since our inception, we have engaged primarily in research and development activities and in 2015 entered the commercialization stage. We have financed our operations primarily through private placements and public offerings of common stock and have incurred losses in each year since inception including net losses of $29,445,000 and $17,736,000 in 2020 and 2019, respectively. Our accumulated deficit at December 31, 2020 was approximately $143,248,000. We do not know whether or when we will become profitable. Our ability to generate revenue and achieve profitability depends upon our ability, alone or with others, to launch Dario in additional European countries, and elsewhere and manufacture, market and sell Dario where approved. We may be unable to achieve any or all of these goals.

We may be subject to claims for rescission or damages in connection with certain sales of shares of our securities.

In March 2016, the Securities and Exchange Commission declared effective a registration statement that we filed to cover 66,667 shares 76,667 warrants to purchase common stock, 76,667 shares of common stock underlying such warrants, and underwriters' warrants to purchase up to 7,172 shares of common stock. Sales of approximately 2,778 shares of common stock, approximately 12,778 shares of common stock underlying warrants and approximately 1,278 shares of common stock underlying underwriters' warrants may not have been made in accordance with Section 5 of the Securities Act of 1933, as amended. Accordingly, the purchasers of those securities may have rescission rights or be entitled to damages. The amount of such liability, if any, is uncertain. In the event that we are required to make payments to investors as a result of these unregistered sales of securities, our liquidity could be negatively impacted.

Risks Related to Our Business

We only recently began commercializing Dario, and our success will depend on the acceptance of Dario in the healthcare market.

Dario has been CE marked since 2013, enabling us to commercialize in 32 countries across Europe as well as in certain other countries worldwide. It was also approved by the regulatory authorities in Australia, New Zealand, Canada, Israel and South Africa, and most recently in December 2015, we received FDA clearance. As a result, we have a limited history of commercializing Dario and commenced selling Dario in the United States in 2016. We have limited experience engaging in commercial activities and limited established relationships with physicians and hospitals as well as third-party suppliers on whom we depend for the manufacture of our product. We are faced with the risk that the marketplace will not be receptive to Dario over competing products and that we will be unable to compete effectively. Factors that could affect our ability to establish Dario or any potential future product include:

- the development of products or devices which could result in a shift of customer preferences away from our device and services and significantly decrease revenue;
- the increased use of improved diabetes drugs that could encourage certain diabetics to test less often, resulting in less usage of a self-monitoring test device for certain types of diabetics;
- the challenges of developing (or acquiring externally-developed) technology solutions that are adequate and competitive in meeting the requirements of next-generation design challenges, including interoperability with various electronic health records;
- the significant number of current competitors in the BGMS market who have significantly greater brand recognition and more recognizable trademarks and who have established relationships with healthcare providers and payors; and
- intense competition to attract acquisition targets, which may make it more difficult for us to acquire companies or technologies at an acceptable price or at all.

We cannot assure you that Dario or any future product will gain broad market acceptance. If the market for Dario or any future product fails to develop or develops more slowly than expected, or if any of the technology and standards supported by us do not achieve or sustain market acceptance, our business and operating results would be materially and adversely affected.

There is no assurance that our DarioEngage software platform will succeed or be adopted by healthcare providers.

Our product offering consists of our DarioEngage software platform, where we digitally engage with Dario users, assist them in monitoring their chronic illnesses and provide them with coaching, support, digital communications, and real-time alerts, trends and pattern analysis. We expect that the DarioEngage software platform may be leveraged by our potential partners, such as clinics, health care service providers, employers, and payers for scalable monitoring of people with diabetes in a cost-effective manner, which we expect will open for us additional revenue streams. However, the success of our DarioEngage software platform will depend entirely on our potential partners' adoption of the platform and we cannot assure you that our potential partners will do so, or, if adopted, that they will continue to use the platform continually and for an extended period of time. If we cannot encourage potential partners to utilize our DarioEngage software platform we may not succeed in marketing the product to our potential partners, the failure of which may materially and adversely affect our business and operating results.

A pandemic, epidemic or outbreak of an infectious disease in the United States, Israel or elsewhere may adversely affect our business.

A regional or global health pandemic, including COVID-19, could severely affect our business, results of operations and financial condition. A regional or global health pandemic, depending upon its duration and severity, could have a material adverse effect on our business. For example, the COVID-19 pandemic has had numerous effects on the global economy and governmental authorities around the world have implemented measures to reduce the spread of COVID-19. These measures, including shutdowns and "shelter-in-place" orders suggested or mandated by governmental authorities or otherwise elected by companies as a preventive measure, have adversely affected workforces, customers, consumer sentiment, economies and financial markets, and, along with decreased consumer spending, have led to an economic downturn in many of our markets.

As a result of the COVID-19 pandemic, as near-term measures, we have transitioned many of our employees to remote working arrangements. The transition has had little impact on our employee productivity and has not caused any interruption to our business. Due to the uncertainty of COVID-19, we will continue to assess the situation, including abiding by any government-imposed restrictions, market by market.

As a result of the COVID-19 pandemic, many of our personnel are working remotely, and it is possible that this could have a negative impact on the execution of our business plans and operations. If a natural disaster, power outage, connectivity issue, or other event occurred that impacted our employees' ability to work remotely, it may be difficult or, in certain cases, impossible, for us to continue our business for a substantial period of time. The increase in remote working may also result in consumer privacy, IT security and fraud concerns as well as increase our exposure to potential wage and hour issues.

We are unable to accurately predict the impact that COVID-19 will have on our operations going forward due to uncertainties that will be dictated by the length of time that the pandemic and related disruptions continue, the impact of governmental regulations that might be imposed in response to the pandemic and overall changes in consumer behavior. Numerous state and local jurisdictions have imposed, and others in the future may impose, "shelter-in-place" orders, quarantines, executive orders and similar government orders and restrictions for their residents to control the spread of COVID-19. For example, Israel, federal and state governments in the United States, and various governments in Europe, continue to impose limitations on gatherings, social distancing measures and restrictions on movement, only allowing essential businesses to remain open. Such orders or restrictions have and are continuing to result in temporary store closures, work stoppages, slowdowns and delays, travel restrictions and cancellation of events, among other effects, any of which may negatively impact workforces, customers, consumer sentiment and the economies in many of our markets, and as a result, may adversely affect our operations.

At this point in time, there is significant uncertainty relating to the potential effect of COVID-19 on our business. As infections may continue to become more widespread, we could experience a severe negative impact on our business, financial condition and results of operations. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this "Risk factors" section.

We may not be successful in launching Dario Loop and even if we are successful in doing so, there is no assurance that we will be successful in marketing and/or selling our product in the marketplace.

We intend to launch our Dario Loop program, which will utilize a large amount of data collected on our servers to develop predictive models and artificial intelligence algorithms to meet the potential demand of intelligence-driven analytics that healthcare providers may be looking for to improve their services. However, the launch of Dario Loop will require significant financial and technical resources. There is no assurance that we will successfully develop or launch Dario Loop. Even if we are successful in doing so, there is no assurance that the marketplace will accept or adopt the usage of Dario Loop. If we cannot successfully develop Dario Loop, or encourage the use and adoption of Dario Loop by market participants, our business and operating results may be materially and adversely affected.

We cannot accurately predict the volume or timing of any future sales, making the timing of any revenues difficult to predict.

We may be faced with lengthy customer evaluation and approval processes associated with Dario. Consequently, we may incur substantial expenses and devote significant management effort and expense in developing customer adoption of Dario which may not result in revenue generation. We must also obtain regulatory approvals of Dario in certain jurisdictions as well as approval for insurance reimbursement in order to initiate sales of Dario, each of which is subject to risk and potential delays, and neither of which may actually occur. As such, we cannot accurately predict the volume or timing of any future sales.

If Dario fails to satisfy current or future customer requirements, we may be required to make significant expenditures to redesign the product, and we may have insufficient resources to do so.

Dario is being designed to address an evolving marketplace and must comply with current and evolving customer requirements in order to gain market acceptance. There is a risk that Dario will not meet anticipated customer requirements or desires. If we are required to redesign our products to address customer demands or otherwise modify our business model, we may incur significant unanticipated expenses and losses, and we may be left with insufficient resources to engage in such activities. If we are unable to redesign our products, develop new products or modify our business model to meet customer desires or any other customer requirements that may emerge, our operating results would be materially adversely affected, and our business might fail.

We expect to derive substantially all of our revenues from our principal technology, which leaves us subject to the risk of reliance on such technology.

We expect to derive substantially all of our revenues from sales of products derived from our principal technology. Our initial product utilizing this technology is Dario. As such, any factor adversely affecting sales of Dario, including the product release cycles, regulatory issues, market acceptance, product competition, performance and reliability, reputation, price competition and economic and market conditions, would likely harm our operating results. We may be unable to develop other products utilizing our technology, which would likely lead to the failure of our business. Moreover, in spite of our efforts related to the registration of our technology, if patent protection is not available for our principal technology, the viability of Dario and any other products that may be derived from such technology would likely be adversely impacted to a significant degree, which would materially impair our prospects.

We are dependent upon third-party manufacturers and suppliers making us vulnerable to supply shortages and problems and price fluctuations, which could harm our business.

We do not own or operate manufacturing facilities for clinical or commercial production of the Dario Blood Glucose Monitoring System, and we lack the resources and the capability to manufacture the Dario Blood Glucose Monitoring System on a commercial scale. Therefore, we rely on a limited number of suppliers who manufacture and assemble certain components of the Dario Blood Glucose Monitoring System. Our suppliers may encounter problems during manufacturing for a variety of reasons, including, for example, failure to follow specific protocols and procedures, failure to comply with applicable legal and regulatory requirements, equipment malfunction and environmental factors, failure to properly conduct their own business affairs, and infringement of third-party intellectual property rights, any of which could delay or impede their ability to meet our requirements. Our reliance on these third-party suppliers also subjects us to other risks that could harm our business, including:

- we are not a major customer of many of our suppliers, and these suppliers may therefore give other customers' needs higher priority than ours;

- third parties may threaten or enforce their intellectual property rights against our suppliers, which may cause disruptions or delays in shipment, or may force our suppliers to cease conducting business with us;

- we may not be able to obtain an adequate supply in a timely manner or on commercially reasonable terms;
- our suppliers, especially new suppliers, may make errors in manufacturing that could negatively affect the efficacy or safety of the Dario Blood Glucose Monitoring System or cause delays in shipment;
- we may have difficulty locating and qualifying alternative suppliers;
- switching components or suppliers may require product redesign and possibly submission to FDA, European Economic Area Notified Bodies, or other foreign regulatory bodies, which could significantly impede or delay our commercial activities;
- one or more of our sole- or single-source suppliers may be unwilling or unable to supply components of the Dario Blood Glucose Monitoring System;
- other customers may use fair or unfair negotiation tactics and/or pressures to impede our use of the supplier;
- the occurrence of a fire, natural disaster or other catastrophe impacting one or more of our suppliers may affect their ability to deliver products to us in a timely manner; and
- our suppliers may encounter financial or other business hardships unrelated to our demand, which could inhibit their ability to fulfill our orders and meet our requirements.

We may not be able to quickly establish additional or alternative suppliers if necessary, in part because we may need to undertake additional activities to establish such suppliers as required by the regulatory approval process. Any interruption or delay in obtaining products from our third-party suppliers, or our inability to obtain products from qualified alternate sources at acceptable prices in a timely manner, could impair our ability to meet the demand of our customers and cause them to switch to competing products. Given our reliance on certain single-source suppliers, we are especially susceptible to supply shortages because we do not have alternate suppliers currently available.

We rely in part on a small group of third-party distributors to effectively distribute our products.

We depend in part on medical device distributors for the marketing and selling of our products in certain territories in which we have launched product sales. We depend on these distributors' efforts to market our products, yet we are unable to control their efforts completely. These distributors typically sell a variety of other, non-competing products that may limit the resources they dedicate to selling Dario. In addition, we are unable to ensure that our distributors comply with all applicable laws regarding the sale of our products. If our distributors fail to effectively market and sell Dario, in full compliance with applicable laws, our operating results and business may suffer. Recruiting and retaining qualified third-party distributors and training them in our technology and product offering requires significant time and resources. To develop and expand our distribution, we must continue to scale and improve our processes and procedures that support our distributors. Further, if our relationship with a successful distributor terminates, we may be unable to replace that distributor without disruption to our business. If we fail to maintain positive relationships with our distributors, fail to develop new relationships with other distributors, including in new markets, fail to manage, train or incentivize existing distributors effectively, or fail to provide distributors with competitive products on attractive terms, or if these distributors are not successful in their sales efforts, our revenue may decrease and our operating results, reputation and business may be harmed.

Failure in our online and digital marketing efforts could significantly impact our ability to generate sales.

In several of our principal target markets, we utilize online and digital marketing in order to create awareness to Dario. Our management believes that using online advertisement through affiliate networks and a variety of other pay-for-performance methods will be superior for marketing and generating sales of Dario rather than utilizing traditional, expensive retail channels. However, there is a risk that our marketing strategy could fail. Because we plan to use non-traditional retail sales tools and to rely on healthcare providers to educate our customers about Dario, we cannot predict the level of success, if any, that we may achieve by marketing Dario via the internet. The failure of our online marketing efforts would significantly and negatively impact our ability to generate sales.

Our Dario Smart Diabetes Management application, which is a key to our business model, is available via Apple's App Store and via Google's Android platforms and maybe in the future via additional platforms. If we are unable to achieve or maintain a good relationship with each of Apple and Google or similar platforms, or if the Apple App Store or the Google Play Store or any other applicable platform were unavailable for any prolonged period of time, our business will suffer.

A key component of the Dario Smart Diabetes Management Solution is an iPhone or Android application which includes tools to help diabetic patients manage their disease. This application is compatible with Apple's iOS and with Google's Android platforms and may in the future become compatible via additional platforms. If we are unable to make our Dario Smart Diabetes Management application compatible with these platforms, or if there is any deterioration in our relationship with either Apple or Google or others after our application is available, our business would be materially harmed.

We are subject to each of Apple's and Google's standard terms and conditions for application developers, which govern the promotion, distribution, and operation of games and other applications on their respective storefronts. Each of Apple and Google has broad discretion to change its standard terms and conditions, including changes which could require us to pay to have our Dario Smart Diabetes Management application available for downloading. In addition, these standard terms and conditions can be vague and subject to changing interpretations by Apple or Google. We may not receive any advance warning of such changes. In addition, each of Apple and Google has the right to prohibit a developer from distributing its applications on its storefront if the developer violates its standard terms and conditions. In the event that either Apple or Google ever determines that we are in violation of its standard terms and conditions, including by a new interpretation, and prohibits us from distributing our Dario Smart Diabetes Management application on its storefront, it would materially harm our business.

Additionally, we will rely on the continued function of the Apple App Store and the Google Play Store as digital storefronts where our Dario Smart Diabetes Management application may be obtained. There have been occasions in the past when these digital storefronts were unavailable for short periods of time or where there have been issues with the in-app purchasing functionality within the storefront. In the event that either the Apple App Store or the Google Play Store is unavailable or if in-app purchasing functionality within the storefront is non-operational for a prolonged period of time, it would have a material adverse effect on the ability of our customers to secure the Dario Smart Diabetes Management application, which would materially harm our business.

Our products are subject to technological changes which may impact their use.

Our Dario Blood Glucose Monitoring System is currently designed to be plugged into the Lighting jack for Apple devices or the USB-C jack for other mobile devices. As a result, our products are subject to future technological changes to mobile devices that may occur in the future. If we are unable to modify our products to keep pace with such technological changes, it would have a material adverse effect the ability of our customers to use our products, which would materially harm our business.

As we conduct business internationally, we are susceptible to risks associated with international relationships.

Outside of the United States, we operate our business internationally, presently in Europe, Australia and Canada. The international operation of our business requires significant management attention, which could negatively affect our business if it diverts their attention from their other responsibilities. In the event that we are unable to manage the complications associated with international operations, our business prospects could be materially and adversely affected. In addition, doing business with foreign customers subjects us to additional risks that we do not generally face in the United States. These risks and uncertainties include:

- management, communication and integration problems resulting from cultural differences and geographic dispersion;

- localization of products and services, including translation of foreign languages;
- delivery, logistics and storage costs;
- longer accounts receivable payment cycles and difficulties in collecting accounts receivable;
- difficulties supporting international operations;
- difficulties supporting customer services;
- changes in economic and political conditions;
- impact of trade protection measures;
- complying with import or export licensing requirements;
- exchange rate fluctuations;
- competition from companies with international operations, including large international competitors and entrenched local companies;
- potentially adverse tax consequences, including foreign tax systems and restrictions on the repatriation of earnings;
- maintaining and servicing computer hardware in distant locations;
- keeping current and complying with a wide variety of foreign laws and legal standards, including local labor laws;
- securing or maintaining protection for our intellectual property; and
- reduced or varied protection for intellectual property rights, including the ability to transfer such rights to third parties, in some countries.

The occurrence of any or all of these risks could adversely affect our international business and, consequently, our results of operations and financial condition.

We expect to be exposed to fluctuations in currency exchange rates, which could adversely affect our results of operations.

Because we expect to conduct a material portion of our business outside of the United States but report our financial results in U.S. Dollars, we face exposure to adverse movements in currency exchange rates. Our foreign operations will be exposed to foreign exchange rate fluctuations as the financial results are translated from the local currency into U.S. Dollars upon consolidation. Specifically, the U.S. Dollar cost of our operations in Israel is influenced by any movements in the currency exchange rate of the New Israeli Shekel (NIS). Such movements in the currency exchange rate may have a negative effect on our financial results. If the U.S. Dollar weakens against foreign currencies, the translation of these foreign currencies denominated transactions will result in increased revenue, operating expenses and net income. Similarly, if the U.S. Dollar strengthens against foreign currencies, the translation of these foreign currencies denominated transactions will result in decreased revenue, operating expenses and net income. As exchange rates vary, sales and other operating results, when translated, may differ materially from our or the capital market’s expectations.

Non-U.S. governments often impose strict price controls, which may adversely affect our future profitability.

We intend to seek approval to market Dario and any future product in both the U.S. and in non-U.S. jurisdictions. If we obtain approval in one or more non-U.S. jurisdictions, we will be subject to rules and regulations in those jurisdictions relating to our products. In some countries, particularly countries of the European Union, each of which has developed its own rules and regulations, pricing may be subject to governmental control under certain circumstances. In these countries, pricing negotiations with governmental authorities can take considerable time after the receipt of marketing approval for a medical device candidate. To obtain reimbursement or pricing approval in some countries, we may be required to conduct a clinical trial that compares the cost-effectiveness of our product to other available products. If reimbursement of our product candidates is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, we may be unable to achieve or sustain profitability.

Our Dario Smart Diabetes Management Solution and associated business processes may contain undetected errors, which could limit our ability to provide our services and diminish the attractiveness of our service offerings.

The Dario Smart Diabetes Management Solution may contain undetected errors, defects or bugs. As a result, our customers or end users may discover errors or defects in our products, software or the systems we design, or the products or systems incorporating our designs and intellectual property may not operate as expected. We may discover significant errors or defects in the future that we may not be able to fix. Our inability to fix any of those errors could limit our ability to provide our products, impair the reputation of our brand and diminish the attractiveness of our product offerings to our customers.

In addition, we may utilize third-party technology or components in our products, and we rely on those third parties to provide support services to us. Failure of those third parties to provide necessary support services could materially adversely impact our business.

Our future performance will depend on the continued engagement of key members of our management team.

Our future performance depends to a large extent on the continued services of members of our current management including, in particular, Erez Raphael, our Chief Executive Officer and a member of our Board of Directors and Zvi Ben David, our Chief Financial Officer, Treasurer and Secretary, Dror Bacher, our Chief Operating Officer, and Richard Anderson, our President and General Manager for North America. In the event that we lose the continued services of such key personnel for any reason, this could have a material adverse effect on our business, operations, and prospects.

If we are not able to attract and retain highly skilled managerial, scientific and technical personnel, we may not be able to implement our business model successfully.

We believe that our management team must be able to act decisively to apply and adapt our business model in the rapidly changing markets in which we will compete. In addition, we will rely upon technical and scientific employees or third-party contractors to effectively establish, manage and grow our business. Consequently, we believe that our future viability will depend largely on our ability to attract and retain highly skilled managerial, sales, scientific and technical personnel. In order to do so, we may need to pay higher compensation or fees to our employees or consultants than we currently expect, and such higher compensation payments would have a negative effect on our operating results. Competition for experienced, high-quality personnel is intense and we cannot assure that we will be able to recruit and retain such personnel. We may not be able to hire or retain the necessary personnel to implement our business strategy. Our failure to hire and retain such personnel could impair our ability to develop new products and manage our business effectively.

We may not generate the expected benefits of our recent acquisition of Upright, and the integration of Upright could disrupt our ongoing business, distract our management and increase our expenses.

Through our recent acquisitions of Upright, we expanded our product offering to include solutions for MSK conditions. We believe that the successful integration of Upright's business into our operations is important for our future financial performance. This will require that we integrate more closely the companies' product offerings and research and development capabilities, retain key employees, assimilate diverse corporate cultures, further integrate management information systems and consolidate the acquired operations, each of which could pose significant challenges. The difficulty of combining Upright with our company may be increased by the need to integrate personnel, and changes effected in the combination may cause key employees to leave.

It is possible that the integration process could take longer than anticipated and could result in the loss of valuable employees, additional and unforeseen expenses, the disruption of our ongoing business, processes and systems, or inconsistencies in standards, controls, procedures, practices, policies and compensation arrangements, any of which could adversely affect our ability to achieve the anticipated benefits of the acquisitions. The diversion of the attention of management created by the integration process, any disruptions or other difficulties encountered in the integration process, and unforeseen liabilities or unanticipated problems with the acquired businesses could have a material adverse effect on our business, operating results and financial condition. There can be no assurance that these acquisitions will provide the benefits we expect or that we will be able to integrate and develop the operations of Upright successfully. Any failure to do so could have a material adverse effect on our business, operating results and financial condition.

Risks Related to Product Development and Regulatory Approval

The regulatory clearance process which we must navigate is expensive, time-consuming, and uncertain and may prevent us from obtaining clearance for the commercialization of Dario or our any future product.

We are not permitted to market Dario until we receive regulatory clearance. To date, we have received regulatory clearance in Australia, Canada, Israel, Italy, the Netherlands, New Zealand, the United Kingdom, and the United States.

The research, design, testing, manufacturing, labeling, selling, marketing and distribution of medical devices are subject to extensive regulation by the FDA and non-U.S. regulatory authorities, which regulations differ from country to country. There can be no assurance that even after such time and expenditures, we will be able to obtain necessary regulatory approvals for clinical testing or for the manufacturing or marketing of any products. In addition, during the regulatory process, other companies may develop other technologies with the same intended use as our products.

We are also subject to numerous post-marketing regulatory requirements, which include labeling regulations and medical device reporting regulations, which may require us to report to different regulatory agencies if our device causes or contributes to a death or serious injury, or malfunctions in a way that would likely cause or contribute to a death or serious injury. In addition, these regulatory requirements may change in the future in a way that adversely affects us. If we fail to comply with present or future regulatory requirements that are applicable to us, we may be subject to enforcement action by regulatory agencies, which may include, among others, any of the following sanctions:

- untitled letters, warning letters, fines, injunctions, consent decrees, and civil penalties;
- customer notification, or orders for repair, replacement or refunds;
- voluntary or mandatory recall or seizure of our current or future products;
- imposing operating restrictions, suspension or shutdown of production;
- refusing our requests for 510(k) clearance or pre-market approval of new products, new intended uses or modifications to Dario or future products;
- rescinding 510(k) clearance or suspending or withdrawing pre-market approvals that have already been granted; and
- criminal prosecution.

The occurrence of any of these events may have a material adverse effect on our business, financial condition and results of operations.

In addition, on September 23, 2013, the FDA issued final guidance (which we refer to herein as the Guidance) for developers of mobile medical applications, or apps, which are software programs that run on mobile communication devices and perform the same functions as traditional medical devices. The Guidance outlines the FDA's tailored approach to mobile apps. The FDA plans to exercise enforcement discretion (meaning it will not enforce requirements under the Federal Food, Drug and Cosmetic Act) for the majority of mobile apps as they pose minimal risk to consumers. The FDA plans to focus its regulatory oversight on a subset of mobile medical apps that present a greater risk to patients if they do not work as intended. We anticipate that the Dario Smart Diabetes Management application will be subject to FDA regulation as a "mobile medical app."

We have conducted limited clinical studies of Dario. Clinical and pre-clinical data is susceptible to varying interpretations, which could delay, limit or prevent additional regulatory clearances.

To date, we have conducted limited clinical studies on Dario. There can be no assurance that we will successfully complete additional clinical studies necessary to receive additional regulatory approvals in certain jurisdictions. While studies conducted by us have produced results we believe to be encouraging and indicative of the potential efficacy of Dario, data already obtained, or in the future obtained, from pre-clinical studies and clinical studies do not necessarily predict the results that will be obtained from later pre-clinical studies and clinical studies. Moreover, pre-clinical and clinical data are susceptible to varying interpretations, which could delay, limit or prevent additional regulatory approvals. A number of companies in the medical device and pharmaceutical industries have suffered significant setbacks in advanced clinical studies, even after promising results in earlier studies. The failure to adequately demonstrate the safety and effectiveness of an intended product under development could delay or prevent regulatory clearance of the device, resulting in delays to commercialization, and could materially harm our business. Even though we have received CE mark and FDA clearance of Dario, there can be no assurance that we will be able to receive approval for other potential applications of our principal technology, or that we will receive regulatory clearances from other targeted regions or countries.

We may be unable to complete required clinical trials, or we may experience significant delays in completing such clinical trials, which could significantly delay our targeted product launch timeframe and impair our viability and business plan.

The completion of any future clinical trials for Dario or other trials that we may be required to undertake in the future could be delayed, suspended or terminated for several reasons, including:

- our failure or inability to conduct the clinical trial in accordance with regulatory requirements;
- sites participating in the trial may drop out of the trial, which may require us to engage new sites for an expansion of the number of sites that are permitted to be involved in the trial;
- delays that we may experience in enrollment, or completion of certain trials, as a result of COVID-19;
- patients may not enroll in, remain in or complete, the clinical trial at the rates we expect; and
- clinical investigators may not perform our clinical trial on our anticipated schedule or consistent with the clinical trial protocol and good clinical practices.

If our clinical trial is delayed it will take us longer to further commercialize Dario and generate additional revenues. Moreover, our development costs will increase if we have material delays in our clinical trial or if we need to perform more or larger clinical trials than planned. We may be faced with similar risks in connection with future trials we conduct. See "Business - Clinical Trials" for a description of our clinical trials performed to date.

If we or our manufacturers fail to comply with the FDA's Quality System Regulation or any applicable state equivalent, our operations could be interrupted, and our operating results could suffer.

We, our manufacturers and suppliers must, unless specifically exempt by regulation, follow the FDA's Quality System Regulation (QSR) and are also subject to the regulations of foreign jurisdictions regarding the manufacturing process. If our affiliates, our manufacturers or suppliers are found to be in significant non-compliance or fail to take satisfactory corrective action in response to adverse QSR inspectional findings, the FDA could take enforcement actions against us and our manufacturers which could impair our ability to produce our products in a cost-effective and timely manner in order to meet our customers' demands. Accordingly, our operating results could suffer.

We are subject to the risk of reliance on third parties to conduct our clinical trial work.

We depend on independent clinical investigators to conduct our clinical trials. Contract research organizations may also assist us in the collection and analysis of data. These investigators and contract research organizations will not be our employees and we will not be able to control, other than by contract, the number of resources, including the time that they devote to products that we develop. If independent investigators fail to devote sufficient resources to our clinical trials, or if their performance is substandard, it will delay the approval or clearance and commercialization of any products that we develop. Further, the FDA and other regulatory bodies around the world require that we comply with standards, commonly referred to as good clinical practice, for conducting, recording and reporting clinical trials to assure that data and reported results are credible and accurate and that the rights, integrity, and confidentiality of trial subjects are protected. If our independent clinical investigators and contract research organizations fail to comply with good clinical practice, the results of our clinical trials could be called into question and the clinical development of our product candidates could be delayed. Failure of clinical investigators or contract research organizations to meet their obligations to us or comply with federal regulations could adversely affect the clinical development of our product candidates and harm our business. Moreover, we intend to have several clinical trials in order to support our marketing efforts and business development purposes. Such clinical trials will be conducted by third parties as well. Failure of such clinical trials to meet their primary endpoints could adversely affect our marketing efforts.

Legislative reforms to the United States healthcare system may adversely affect our revenues and business.

From time to time, legislative reform measures are proposed or adopted that would impact healthcare expenditures for medical services, including the medical devices used to provide those services. For example, in March 2010, U.S. President Barack Obama signed the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, collectively referred to as the Affordable Care Act. The Affordable Care Act made a number of substantial changes in the way health care is financed by both governmental and private insurers and the way that Medicare providers are reimbursed. Among other things, the Affordable Care Act requires certain medical device manufacturers and importers to pay an excise tax equal to 2.3% of the price for which such medical devices are sold, beginning January 1, 2013.

In addition, other legislative changes have been proposed and adopted since the Affordable Care Act was enacted. On August 2, 2011, the President signed into law the Budget Control Act of 2011, which, among other things, created the Joint Select Committee on Deficit Reduction to recommend to Congress proposals in spending reductions. The Joint Select Committee did not achieve a targeted deficit reduction of at least $1.2 trillion for the years 2013 through 2021, triggering the legislation's automatic reduction to several government programs. This includes reductions to Medicare payments to providers of 2.0% per fiscal year. On January 2, 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, or the ATRA, which delayed for another two months the budget cuts mandated by these sequestration provisions of the Budget Control Act of 2011. On March 1, 2013, the President signed an executive order implementing sequestration, and on April 1, 2013, the 2% Medicare payment reductions went into effect. The Bipartisan Budget Act of 2013, enacted on December 26, 2013, extends these cuts to 2023. The ATRA also, among other things, reduced Medicare payments to several providers, including hospitals, imaging centers, and cancer treatment centers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. In December 2014, Congress passed an omnibus funding bill (the Consolidated and Further Continuing Appropriations Act, 2015) and a tax extenders bill, both of which may negatively impact coverage and reimbursement of healthcare items and services. We expect that additional state and federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could result in reduced demand for our products or additional pricing pressure. For example, former U.S. President Donald Trump publicly indicated an intent to lower healthcare costs through various potential initiatives. In addition, former President Trump and other U.S. lawmakers have made statements about potentially repealing and/or replacing the Affordable Care Act, although specific legislation for such repeal or replacement has not yet been introduced. While we are unable to predict what changes may ultimately be enacted, to the extent that future changes affect how our products are paid for and reimbursed by government and private payers our business could be adversely impacted.

Government and private sector initiatives to limit the growth of health care costs, including price regulation, competitive pricing, coverage and payment policies, comparative effectiveness reviews of therapies, technology assessments, and managed-care arrangements, are continuing. Government programs, including Medicare and Medicaid, private health care insurance and managed-care plans have attempted to control costs by limiting the amount of reimbursement they will pay for particular procedures or treatments, tying reimbursement to outcomes, and other mechanisms designed to constrain utilization and contain costs, including delivery reforms such as expanded bundling of services. Hospitals are also seeking to reduce costs through a variety of mechanisms, which may increase price sensitivity among customers for our products, and adversely affect sales, pricing, and utilization of our products. Some third-party payors must also approve coverage for new or innovative devices or therapies before they will reimburse health care providers who use medical devices or therapies. We cannot predict the potential impact of cost-containment trends on future operating results.

We may be subject to federal, state and foreign healthcare fraud and abuse laws and regulations.

Many federal, state and foreign healthcare laws and regulations apply to the BGMS business and medical devices. We may be subject to certain federal and state regulations, including the federal healthcare programs' Anti-Kickback Law, the federal Health Insurance Portability and Accountability Act of 1996, and other federal and state false claims laws. The medical device industry has been under heightened scrutiny as the subject of government investigations and enforcement actions involving manufacturers who allegedly offered unlawful inducements to potential or existing customers in an attempt to procure their business, including arrangements with physician consultants. If our operations or arrangements are found to be in violation of such governmental regulations, we may be subject to civil and criminal penalties, damages, fines, exclusion from the Medicare and Medicaid programs and the curtailment of our operations. All of these penalties could adversely affect our ability to operate our business and our financial results.

Product liability suits, whether or not meritorious, could be brought against us due to an alleged defective product or for the misuse of Dario or our potential future products. These suits could result in expensive and time-consuming litigation, payment of substantial damages, and an increase in our insurance rates.

If Dario or any of our future products are defectively designed or manufactured contain defective components or are misused, or if someone claims any of the foregoing, whether or not meritorious, we may become subject to substantial and costly litigation. Misusing our device or failing to adhere to the operating guidelines or the device producing inaccurate meter readings could cause significant harm to patients, including death. In addition, if our operating guidelines are found to be inadequate, we may be subject to liability. Product liability claims could divert management's attention from our core business, be expensive to defend and result in sizable damage awards against us. While we maintain product liability insurance, we may not have sufficient insurance coverage for all future claims. Any product liability claims brought against us, with or without merit, could increase our product liability insurance rates or prevent us from securing continuing coverage, could harm our reputation in the industry and could reduce revenue. Product liability claims in excess of our insurance coverage would be paid out of cash reserves harming our financial condition and adversely affecting our results of operations.

If we are found to have violated laws protecting the confidentiality of patient health information, we could be subject to civil or criminal penalties, which could increase our liabilities and harm our reputation or our business.

Part of our business plan includes the storage and potential monetization of medical data of users of Dario. There are a number of federal and state laws protecting the confidentiality of certain patient health information, including patient records, and restricting the use and disclosure of that protected information. In particular, the U.S. Department of Health and Human Services promulgated patient privacy rules under the Health Insurance Portability and Accountability Act of 1996 (which we refer to as HIPAA). These privacy rules protect medical records and other personal health information by limiting their use and disclosure, giving individuals the right to access, amend and seek accounting of their own health information and limiting most use and disclosures of health information to the minimum amount reasonably necessary to accomplish the intended purpose. We may face difficulties in holding such information in compliance with applicable law. If we are found to be in violation of the privacy rules under HIPAA, we could be subject to civil or criminal penalties, which could increase our liabilities, harm our reputation and have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Our Intellectual Property

The failure to obtain or maintain patents, licensing agreements and other intellectual property could materially impact our ability to compete effectively.

In order for our business to be viable and to compete effectively, we need to develop and maintain, and we will heavily rely on, our proprietary position with respect to our technologies and intellectual property. We filed a Patent Cooperation Treaty (or PCT) application for a "Fluids Testing Apparatus and Methods of Use" in May 2011 which incorporates two U.S. provisional applications submitted in the preceding year. The PCT covers the specific processes related to blood glucose level measurement as well as more general methods of rapid tests of body fluids and has subsequently been converted into several national phase patent applications. We have also filed patent applications for other aspects of the Dario Blood Glucose Monitoring Solution. We have also obtained numerous Web domains.

However, to date, we have only been issued four patents (three of which were issued in the United States) relating to how the Dario Blood Glucose Monitoring System draws power from and transmits data to a smartphone via the audio jack port. None of our other patents have been granted by a patent office. In addition, there are significant risks associated with our actual or proposed intellectual property. The risks and uncertainties that we face with respect to our pending patent and other proprietary rights principally include the following:

- pending patent applications we have filed or will file may not result in issued patents or may take longer than we expect to result in issued patents;
- we may be subject to interference proceedings;
- we may be subject to opposition proceedings in foreign countries;
- any patents that are issued to us may not provide meaningful protection;
- we may not be able to develop additional proprietary technologies that are patentable;
- other companies may challenge patents licensed or issued to us;
- other companies may have independently developed and/or patented (or may in the future independently develop and patent) similar or alternative technologies, or duplicate our technologies;
- other companies may design their technologies around technologies we have licensed or developed; and
- enforcement of patents is complex, uncertain and very expensive.

We cannot be certain that patents will be issued as a result of any of our pending or future applications, or that any of our patents, once issued, will provide us with adequate protection from competing products. For example, issued patents may be circumvented or challenged, declared invalid or unenforceable, or narrowed in scope. In addition, since the publication of discoveries in scientific or patent literature often lags behind actual discoveries, we cannot be certain that we were the first to make our inventions or to file patent applications covering those inventions.

It is also possible that others may have or may obtain issued patents that could prevent us from commercializing our products or require us to obtain licenses requiring the payment of significant fees or royalties in order to enable us to conduct our business. As to those patents that we have licensed, our rights depend on maintaining our obligations to the licensor under the applicable license agreement, and we may be unable to do so.

Costly litigation may be necessary to protect our intellectual property rights and we may be subject to claims alleging the violation of the intellectual property rights of others.

We may face significant expense and liability as a result of litigation or other proceedings relating to patents and intellectual property rights of others. In the event that another party has also filed a patent application or been issued a patent relating to an invention or technology claimed by us in pending applications, we may be required to participate in an interference proceeding declared by the United States Patent and Trademark Office to determine priority of invention, which could result in substantial uncertainties and costs for us, even if the eventual outcome was favorable to us. We, or our licensors, also could be required to participate in interference proceedings involving issued patents and pending applications of another entity. An adverse outcome in an interference proceeding could require us to cease using the technology, substantially modify it or to license rights from prevailing third parties.

The cost to us of any patent litigation or other proceeding relating to our licensed patents or patent applications, even if resolved in our favor, could be substantial, especially given our early stage of development. Our ability to enforce our patent protection could be limited by our financial resources and may be subject to lengthy delays. A third party may claim that we are using inventions claimed by their patents and may go to court to stop us from engaging in our normal operations and activities, such as research, development and the sale of any future products. Such lawsuits are expensive and would consume significant time and other resources. There is a risk that a court will decide that we are infringing the third party's patents and will order us to stop the activities claimed by the patents. In addition, there is a risk that a court will order us to pay the other party damages for having infringed their patents.

Moreover, there is no guarantee that any prevailing patent owner would offer us a license so that we could continue to engage in activities claimed by the patent, or that such a license if made available to us, could be acquired on commercially acceptable terms. In addition, third parties may, in the future, assert other intellectual property infringement claims against us with respect to our services, technologies or other matters.

We have limited foreign intellectual property rights and may not be able to protect our intellectual property rights throughout the world.

We have limited intellectual property rights outside the United States. Filing, prosecuting and defending patents on devices in all countries throughout the world would be prohibitively expensive, and our intellectual property rights in some countries outside the United States can be less extensive than those in the United States. In addition, the laws of some foreign countries do not protect intellectual property to the same extent as laws in the United States. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the United States, or from selling or importing products made using our inventions in and into the United States or other jurisdictions. Competitors may use our technologies in jurisdictions where we have not obtained patents to develop their own products and further, may export otherwise infringing products to territories where we have patents, but enforcement is not as strong as that in the United States.

Many companies have encountered significant problems in protecting and defending intellectual property in foreign jurisdictions. The legal systems of certain countries, particularly China and certain other developing countries, do not favor the enforcement of patents, trade secrets and other intellectual property, particularly those relating to medical devices and biopharmaceutical products, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. To date, we have not sought to enforce any issued patents in these foreign jurisdictions. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. The requirements for patentability may differ in certain countries, particularly developing countries. Certain countries in Europe and developing countries, including China and India, have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties. In those countries, we and our licensors may have limited remedies if patents are infringed or if we or our licensors are compelled to grant a license to a third party, which could materially diminish the value of those patents. This could limit our potential revenue opportunities. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

We rely on confidentiality agreements that could be breached and may be difficult to enforce, which could result in third parties using our intellectual property to compete against us.

Although we believe that we take reasonable steps to protect our intellectual property, including the use of agreements relating to the non-disclosure of confidential information to third parties, as well as agreements that purport to require the disclosure and assignment to us of the rights to the ideas, developments, discoveries and inventions of our employees and consultants while we employ them, the agreements can be difficult and costly to enforce. Although we seek to enter into these types of agreements with our contractors, consultants, advisors and research collaborators, to the extent that employees and consultants utilize or independently develop intellectual property in connection with any of our projects, disputes may arise as to the intellectual property rights associated with our technology. If a dispute arises, a court may determine that the right belongs to a third party. In addition, enforcement of our rights can be costly and unpredictable. We also rely on trade secrets and proprietary know-how that we seek to protect in part by confidentiality agreements with our employees, contractors, consultants, advisors or others. Despite the protective measures we employ, we still face the risk that:

- these agreements may be breached;
- these agreements may not provide adequate remedies for the applicable type of breach;
- our proprietary know-how will otherwise become known; or
- our competitors will independently develop similar technology or proprietary information.

We may be subject to claims challenging the inventorship of our patents and other intellectual property.

We may be subject to claims that former employees, collaborators or other third parties have an interest in our patents or other intellectual property as an inventor or co-inventor. For example, we may have inventorship disputes arise from conflicting obligations of consultants or others who are involved in developing our product candidates. Litigation may be necessary to defend against these and other claims challenging inventorship. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights, such as exclusive ownership of, or right to use, valuable intellectual property. Such an outcome could have a material adverse effect on our business. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees. In addition, the Israeli Supreme Court ruled in 2012 that an employee who receives a patent or contributes to an invention during his employment may be allowed to seek compensation for such contributions from his or her employer, even if the employee's contract of employment specifically states otherwise and the employee has transferred all intellectual property rights to the employer. The Israeli Supreme Court ruled that the fact that a contract revokes an employee's right for royalties and compensation, does not rule out the right of the employee to claim their right for royalties. As a result, it is unclear whether and, if so, to what extent our employees may be able to claim compensation with respect to our future revenue. We may receive less revenue from future products if any of our employees successfully claim for compensation for their work in developing our intellectual property, which in turn could impact our future profitability.

Risks Related to Our Industry

We face intense competition in the digital support solution and the self-monitoring of blood glucose market, and as a result we may be unable to effectively compete in our industry.

In recent years, a number of digitally supported solutions have emerged to manage diabetes and other chronic conditions. Competitors are developing new technologies rapidly and, in some cases, are also expanding to manage other chronic conditions. With our first product, Dario, we compete directly and primarily with large pharmaceutical and medical device companies such as Abbott Laboratories, Asensia (formerly Bayer Diabetes Care), Johnson & Johnson LifeScan, Roche Diagnostics and Sanofi. The first four of these companies has a combined majority market share of the BGMS business and strong research and development capacity for next-generation products. Their dominant market position since the late 1990s, and significant control over the market could significantly limit our ability to introduce Dario or effectively market and generate sales of the product. We will also compete with numerous second-tier and third-tier competitors.

In addition, we only recently transformed our business to primarily focus on the sale of our digital support solution, which joins a crowded field of competitors such as Amazon, Apple and Google. Our competitors vary by intervention (devices, applications, coaching and analytics), by channel (health plan, pharma, provider, employer) and by condition (including, for example, diabetes, MSK, blood hypertension, and others). Certain of our competitors offer this integrated approach in varying degrees, including, among others, , Hinge Health, Inc., Livongo Health Inc. (acquired by Teladoc Health Inc.), Omada Health, Inc., Vida Health, Inc., Virta Health Corp., Informed Data Systems Inc. (OneDrop), Glooko, Inc., and OnDuo LLC .

We only recently commenced sales of our products, and most of our competitors have long histories and strong reputations within the industry. They have significantly greater brand recognition, financial and human resources than we do. They also have more experience and capabilities in researching and developing testing devices, obtaining and maintaining regulatory clearances and other requirements, manufacturing and marketing those products than we do. There is a significant risk that we may be unable to overcome the advantages held by our competition, and our inability to do so could lead to the failure of our business and the loss of your investment.

Competition in the digitally supported solutions market and BGMS market is extremely intense, which can lead to, among other things, price reductions, longer selling cycles, lower product margins, loss of market share and additional working capital requirements. To succeed, we must, among other critical matters, gain consumer acceptance for Dario and potential future devices incorporating our principal technology and offer better strategic concepts, technical solutions, prices and response time, or a combination of these factors, than those of other competitors. If our competitors offer significant discounts on certain products, we may need to lower our prices or offer other favorable terms in order to compete successfully. Moreover, any broad-based changes to our prices and pricing policies could make it difficult to generate revenues or cause our revenues, if established, to decline. Some of our competitors may bundle certain software products offering competing applications for diabetes management at low prices for promotional purposes or as a long-term pricing strategy. These practices could significantly reduce demand for Dario or potential future products or constrain prices we can charge. Moreover, if our competitors develop and commercialize products that are more effective or desirable than Dario or the other products that we may develop, we may not convince our customers to use our products. Any such changes would likely reduce our commercial opportunity and revenue potential and could materially adversely impact our operating results.

If we fail to respond quickly to technological developments our products may become uncompetitive and obsolete.

The BGMS market and other markets in which we plan to compete experience rapid technological developments, changes in industry standards, changes in customer requirements and frequent new product introductions and improvements. If we are unable to respond quickly to these developments, we may lose competitive position, and Dario or any other device or technology may become uncompetitive or obsolete, causing revenues and operating results to suffer. In order to compete, we must develop or acquire new devices and improve our existing device on a schedule that keeps pace with technological developments and the requirements for products addressing a broad spectrum and designers and designer expertise in our industries. We must also be able to support a range of changing customer preferences. For instance, as non-invasive technologies become more readily available in the market, we may be required to adopt our platform to accommodate the use of non-invasive or continuous blood glucose sensors. We cannot guarantee that we will be successful in any manner in these efforts.

If third-party payors do not provide adequate coverage and reimbursement for the use of our products and services, our revenue will be negatively impacted.

In the United States and other jurisdictions such as Germany and England, we expect that our products and services should generally be available for full or partial patient reimbursement by third-party payers. Our success in marketing our services depend and will depend in large part on whether U.S. and international government health administrative authorities, private health insurers and other organizations adequately cover and reimburse customers for the cost of our products and services.

In the United States, we expect to derive nearly all our sales from sales directly to consumers as well as retail pharmacy and DME distributors who typically bill various third-party payors, including Medicare, Medicaid, private commercial insurance companies, health maintenance organizations, health plans and other healthcare-related organizations, to cover all or a portion of the costs and fees associated with our products and services and bill patients for any applicable deductibles or co-payments. Access to adequate coverage and reimbursement for Center for Medicare and Medicaid Services (CMS) procedures using our products and services (and our other products and services in development) by third-party payors is essential to the acceptance of our products by our customers.

Third-party payors, whether foreign or domestic, or governmental or commercial, are developing increasingly sophisticated methods of controlling healthcare costs. In addition, in the United States, no uniform policy of coverage and reimbursement for medical device products and services exists among third-party payors. Therefore, coverage and reimbursement for medical device products and services can differ significantly from payor to payor. In addition, payors continually review new technologies for possible coverage and can, without notice, deny coverage for these new products and procedures. As a result, the coverage determination process is often a time-consuming and costly process that will require us to provide scientific and clinical support for the use of our products to each payor separately, with no assurance that coverage and adequate reimbursement will be obtained, or maintained if obtained.

Reimbursement systems in international markets vary significantly by country and by region within some countries, and reimbursement approvals must be obtained on a country-by-country basis. In many international markets, a product must be approved for reimbursement before it can be approved for sale in that country. Further, many international markets have government-managed healthcare systems that control reimbursement for new devices and procedures. For example, the government healthcare system in the Netherlands, New Zealand and Israel have not yet approved reimbursement of Dario. In most markets, there are private insurance systems as well as government-managed systems. If sufficient coverage and reimbursement are not available for our current or future products, in either the United States or internationally, the demand for our products and our revenues will be adversely affected.

Risks Related to Our Operations in Israel

Potential political, economic and military instability in the State of Israel, where our management team and our research and development facilities are located, may adversely affect our results of operations.

Our operating subsidiary, along with our management team and our research and development facilities, is 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 taken place between Israel and its neighboring countries. 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. The hostilities involved missile strikes 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. Our offices, located in Caesarea, Israel, are within the range of the missiles and rockets that have been fired at Israeli cities and towns from Gaza sporadically since 2006, with escalations in violence (such as the recent escalation in July 2014) during which there were a substantially larger number of rocket and missile attacks aimed at Israel. In addition, since February 2011, Egypt has experienced political turbulence and an increase in terrorist activity in the Sinai Peninsula. Such political turbulence and violence may damage peaceful and diplomatic relations between Israel and Egypt, and could affect the region as a whole. Similar civil unrest and political turbulence has occurred in other countries in the region, including Syria which shares a common border with Israel, and is affecting the political stability of those countries. This instability and any outside intervention may lead to deterioration of the political and economic relationships that exist between the State of Israel and some of these countries, and may have the potential for causing additional conflicts in the region. In addition, Iran has threatened to attack Israel and is widely believed to be developing nuclear weapons. Iran is also believed to have a strong influence among extremist groups in the region, such as Hamas in Gaza, Hezbollah in Lebanon, and various rebel militia groups in Syria. Additionally, a violent jihadist group named Islamic State of Iraq and Levant (ISIL) is involved in hostilities in Iraq and Syria and have been growing in influence. Although ISIL's activities have not directly affected the political and economic conditions in Israel, ISIL's stated purpose is to take control of the Middle East, including Israel. These situations may potentially escalate in the future to more violent events which may affect Israel and us. Any armed conflicts, terrorist activities or political instability in the region could adversely affect business conditions and could harm our results of operations and could make it more difficult for us to raise capital. Parties with whom we do business may decline to travel to Israel during periods of heightened unrest or tension, forcing us to make alternative arrangements when necessary in order to meet our business partners face to face. In addition, the political and security situation in Israel may result in parties with whom we have agreements involving performance in Israel claiming that they are not obligated to perform their commitments under those agreements pursuant to force majeure provisions in such agreements. 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.

Our commercial insurance does not cover losses that may occur as a result of events associated with the security situation in the Middle East. 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. 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, the State of Israel and Israeli companies have been subjected to an economic boycott. 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.

Our operations may be disrupted as a result of the obligation of Israeli citizens to perform military service.

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, financial condition and results of operations.

Investors may have difficulties enforcing a U.S. judgment, including judgments based upon the civil liability provisions of the U.S. federal securities laws, against us, or our executive officers and directors or asserting U.S. securities laws claims in Israel.

Certain of our directors and officers are not residents of the United States and whose assets may be located outside the United States. Service of process upon us or our non-U.S. resident directors and officers and enforcement of judgments obtained in the United States against us or our non-U.S. our directors and executive officers may be difficult to obtain within the United States. We have been informed by our legal counsel in Israel that it may be difficult to assert claims under U.S. securities laws in original actions instituted in Israel or obtain a judgment based on the civil liability provisions of U.S. federal securities laws. Israeli courts may refuse to hear a claim based on a violation of U.S. securities laws against us or our officers and directors because Israel may not be the most appropriate forum to bring such a claim. In addition, even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not U.S. law is applicable to the claim. If U.S. law is found to be applicable, the content of applicable U.S. law must be proved as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by Israeli law. There is little binding case law in Israel addressing the matters described above. Israeli courts might not enforce judgments rendered outside Israel, which may make it difficult to collect on judgments rendered against us or our officers and directors.

Moreover, among other reasons, including but not limited to, fraud or absence of due process, or the existence of a judgment which is at variance with another judgment that was given in the same matter if a suit in the same matter between the same parties was pending before a court or tribunal in Israel, an Israeli court will not enforce a foreign judgment if it was given in a state whose laws do not provide for the enforcement of judgments of Israeli courts (subject to exceptional cases) or if its enforcement is likely to prejudice the sovereignty or security of the State of Israel.

Risks Related to the Ownership of Our Common Stock and Warrants

Our officers, directors and founding stockholders may exert significant influence over our affairs, including the outcome of matters requiring stockholder approval.

As of the date of this Annual Report, our officers, directors and affiliated stockholders collectively have a beneficial ownership interest of approximately 19.8% of our Company. As a result, such individuals will have the ability, acting together, to control the election of our directors and the outcome of corporate actions requiring stockholder approval, such as: (i) a merger or a sale of our company, (ii) a sale of all or substantially all of our assets, and (iii) amendments to our certificate of incorporation and bylaws. This concentration of voting power and control could have a significant effect in delaying, deferring or preventing an action that might otherwise be beneficial to our other stockholders and be disadvantageous to our stockholders with interests different from those individuals. Certain of these individuals also have significant control over our business, policies and affairs as officers or directors of our company. Therefore, you should not invest in reliance on your ability to have any control over our company.

Our common stock has less liquidity than many other stocks listed on the Nasdaq Capital Market.

Historically, the trading volume of our common stock has been relatively low when compared to larger companies listed on the Nasdaq Capital Market or other stock exchanges. While we have experienced increased liquidity in our stock during the year ended December 31, 2020, we cannot say with certainty that a more active and liquid trading market for our common stock will continue to develop. Because of this, it may be more difficult for shareholders to sell a substantial number of shares for the same price at which shareholders could sell a smaller number of shares.

If securities or industry analysts do not publish or cease publishing research or reports about us, our business or our market, or if they change their recommendations regarding our common stock or warrants adversely, the price of our common stock or warrants and trading volume could decline.

The trading market for our common stock or warrants may be influenced by the research and reports that securities or industry analysts may publish about us, our business, our market or our competitors. If any of the analysts who may cover us change their recommendation regarding our common stock or warrants adversely, or provide more favorable relative recommendations about our competitors, the price of our common stock or warrants would likely decline. If any analyst who may cover us were to cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the price of our common stock or warrants or trading volume to decline.

The market price of our common stock and warrants may be significantly volatile.

The market price for our common stock and warrants may be significantly volatile and subject to wide fluctuations in response to factors including the following:

- actual or anticipated fluctuations in our quarterly or annual operating results;
- changes in financial or operational estimates or projections;
- conditions in markets generally;
- changes in the economic performance or market valuations of companies similar to ours; and
- general economic or political conditions in the United States or elsewhere.

In particular, the market prices for securities of mHealth and medical device have historically been particularly volatile. Some of the factors that may cause the market price of our common stock and warrants to fluctuate include:

- any delay in or the results of our clinical trials;
- any delay in manufacturing of our products;
- any delay with the approval for reimbursement for the patients from their insurance companies;
- our failure to comply with regulatory requirements;
- the announcements of clinical trial data, and the investment community's perception of and reaction to those data;
- the results of clinical trials conducted by others on products that would compete with ours;
- any delay or failure to receive clearance or approval from regulatory agencies or bodies;
- our inability to commercially launch products or market and generate sales of our products, including Dario;
- failure of Dario or any other products, even if approved for marketing, to achieve any level of commercial success;
- our failure to obtain patent protection for any of our technologies and products (including those related to Dario) or the issuance of third-party patents that cover our proposed technologies or products;
- developments or disputes concerning our product's intellectual property rights;
- our or our competitors' technological innovations;
- general and industry-specific economic conditions that may affect our expenditures;
- changes in market valuations of similar companies;
- announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures, capital commitments, new technologies, or patents;
- future sales of our common stock or other securities, including shares issuable upon the exercise of outstanding warrants or otherwise issued pursuant to certain contractual rights;
- period-to-period fluctuations in our financial results; and
- low or high trading volume of our common stock due to many factors, including the terms of our financing arrangements.

In addition, if we fail to reach important research, development or commercialization milestone or result by a publicly expected deadline, even if by only a small margin, there could be a significant impact on the market price of our common stock and warrants. Additionally, as we approach the announcement of anticipated significant information and as we announce such information, we expect the price of our common stock and warrants to be particularly volatile, and negative results would have a substantial negative impact on the price of our common stock and warrants.

In some cases, following periods of volatility in the market price of a company's securities, stockholders have often instituted class action securities litigation against those companies. Such litigation, if instituted, could result in substantial costs and diversion of management attention and resources, which could significantly harm our business operations and reputation.

Shares eligible for future sale may adversely affect the market for our common stock and warrants.

From time to time, certain of our stockholders may be eligible to sell all or some of their shares of common stock by means of ordinary brokerage transactions in the open market pursuant to Rule 144, promulgated under the Securities Act, subject to certain limitations. In general, pursuant to Rule 144, after satisfying a six month holding period: (i) affiliated stockholder (or stockholders whose shares are aggregated) may, under certain circumstances, sell within any three month period a number of securities which does not exceed the greater of 1% of the then outstanding shares of common stock or the average weekly trading volume of the class during the four calendar weeks prior to such sale and (ii) non-affiliated stockholders may sell without such limitations, provided we are current in our public reporting obligations. Rule 144 also permits the sale of securities by non-affiliates that have satisfied a one year holding period without any limitation or restriction. Any substantial sale of our common stock pursuant to Rule 144 or pursuant to any resale report may have a material adverse effect on the market price of our securities.

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

As a publicly reporting company, we are faced with expensive and complicated and evolving disclosure, governance and compliance laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act and the Dodd-Frank Act, and, to the extent we complete our anticipated public offering, the rules of the Nasdaq Stock Market. New or changing laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. As a result, our efforts to comply with evolving laws, regulations and standards of a U.S. public company are likely to continue to result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Moreover, our executive officers have little experience in operating a U.S. public company, which makes our ability to comply with applicable laws, rules and regulations uncertain. Our failure to company with all laws, rules and regulations applicable to U.S. public companies could subject us or our management to regulatory scrutiny or sanction, which could harm our reputation and stock price.

If we fail to maintain effective internal control over financial reporting, the price of our common stock may be adversely affected.

Our internal control over financial reporting may have weaknesses and conditions that could require correction or remediation, the disclosure of which may have an adverse impact on the price of our common stock. We are required to establish and maintain appropriate internal control over financial reporting. Failure to establish those controls, or any failure of those controls once established, could adversely affect our public disclosures regarding our business, prospects, financial condition or results of operations. In addition, management's assessment of internal control over financial reporting may identify weaknesses and conditions that need to be addressed in our internal control over financial reporting or other matters that may raise concerns for investors. Any actual or perceived weaknesses and conditions that need to be addressed in our internal control over financial reporting or disclosure of management's assessment of our internal control over financial reporting may have an adverse impact on the price of our common stock.

Anti-takeover provisions in our charter documents and Delaware law could discourage, delay or prevent a change in control of our company and may affect the trading price of our common stock and warrants.

We are a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change in control would be beneficial to our existing stockholders. In addition, our certificate of incorporation and bylaws may discourage, delay or prevent a change in our management or control over us that stockholders may consider favorable. Our certificate of incorporation and bylaws:

- authorize the issuance of "blank check" preferred stock that could be issued by our Board of Directors to thwart a takeover attempt;
- provide that vacancies on our Board of Directors, including newly created directorships, may be filled only by a majority vote of directors then in office;
- provide that special meetings of stockholders may only be called by our Chairman, Chief Executive Officer and/or President or other executive officer, our Board of Directors or a super-majority (66 2/3%) of our stockholders;
- place restrictive requirements (including advance notification of stockholder nominations and proposals) on how special meetings of stockholders may be called by our stockholders;
- do not provide stockholders with the ability to cumulate their votes; and
- provide that our Board of Directors or a super-majority of our stockholders (66 2/3%) may amend our bylaws.

We do not currently intend to pay dividends on our common stock in the foreseeable future, and consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We have never declared or paid cash dividends on our common stock and do not anticipate paying any cash dividends to holders of our common stock in the foreseeable future. Consequently, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments. There is no guarantee that shares of our common stock will appreciate in value or even maintain the price at which our stockholders have purchased their shares.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

We do not own any real property. Currently, we maintain offices at 8 HaTokhen St., Caesarea Industrial Park, 3088900, Israel. On September 8, 2016, we signed a lease agreement for these facilities for a period of 5 years commencing upon the completion of construction of the new office building. We moved into these offices during November 2017. The rental agreement will be extended automatically for an additional 60 months following expiration of the initial term. The monthly rent and management services under this lease are approximately $18,500. In December 2017 we signed a lease agreement for our new U.S. headquarters facilities in New York, New York for a monthly rent and management services of approximately $3,733.

Item 3. Legal Proceedings

We are currently not a party to any pending legal proceeding, nor is our property the subject of a pending legal proceeding, that we believe is not ordinary routine litigation incidental to our business or otherwise material to the financial condition of our business.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is quoted on the Nasdaq Capital Market under the symbol "DRIO". Our warrants to purchase common stock are quoted on the Nasdaq Capital Market under the symbol "DRIOW".

Record Holders

As of March 5, 2021, we had 289 stockholders of record of our common stock.

Dividends

We have never paid any cash dividends on our common stock. We anticipate that we will retain funds and future earnings to support operations and to finance the growth and development of our business. Therefore, we do not expect to pay cash dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of our Board of Directors and will depend on our financial condition, results of operations, capital requirements and other factors that our Board of Directors deems relevant. In addition, the terms of any future debt or credit financings may preclude us from paying dividends.

Securities Authorized for Issuance Under Equity Compensation Plans as of December 31, 2020:

The following table provides information as of December 31, 2020, with respect to options outstanding under the Company's Amended and Restated 2012 Equity Incentive Plan (the "2012 Equity Incentive Plan") and the Company's other equity compensation arrangements.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance
Equity compensation plans approved by security holders	740,650	$ 17.53	904,795
Equity compensation plans not approved by security holders (1)	607	$ 2,522.91	-
Equity compensation plans not approved by security holders (2)	213	$ 2,502.00	-
Equity compensation plans not approved by security holders (3)	1,966	$ 115.20	-
Equity compensation plans not approved by security holders (4)	139	$ 140.40	-
Equity compensation plans not approved by security holders (5)	180,000	$ 8.41	
Equity compensation plans not approved by security holders (6)	50,000	$ 5.75	
Total	973,575		904,795

(1) In March 2013, our Board adopted a non-employee director's remuneration policy.

(2) On May 2014, our Board approved the grant of non-plan options to the Company's Scientific Advisory Board ("SAB"). These options have an exercise price of $2,502.00 vest in 4 quarterly installments in arrears, have a cashless exercise feature and a ten-year term.

(3) In September 2015, our Board approved the grant of non-plan options to our Board members and members of our SAB. These options have an exercise price of $115.20 per share, one-third vesting immediately and the balance vest over 8 quarterly installments, have a cashless exercise feature and a six-year term.

(4) In December 2015, our Board approved the grant of non-plan options to a member of the SAB. The options to the SAB member have an exercise price of $140.40 per share, and vest over a three-year period. One third vest after one year and the balance vest over 8 quarterly installments after the first anniversary; these options have a cashless exercise feature and a six-year term.

(5) In January 2020, our Board approved the grant of non-plan options as a material inducement for employment, in accordance with Nasdaq Listing Rule 5635(c)(4), to our newly hired President and General Manager for North America. The options have an exercise price of $8.41 per share. 90,000 options are time based and vest over a three-year period. One third vests after one year and the balance vests over eight quarterly installments after the first anniversary; these options have a cashless exercise feature and a six-year term. An additional 90,000 options are performance based, and vest over a three-year period. One third vest after one year and the balance vest over eight quarterly installments after the first anniversary; these options have a cashless exercise feature and a six-year term. 22,500 options will commence vesting every calendar year for the next four years, commencing in 2021, and only if certain performance milestones were met in the immediately preceding year.

(6) In March 2020, our Board approved the grant of non-plan options as a material inducement for employment, in accordance with Nasdaq Listing Rule 5635(c)(4), to our newly hired Chief Medical Officer. The options have an exercise price of $5.75 per share, and vest over a three-year period. One third vests after one year and the balance vests over eight quarterly installments after the first anniversary; these options have a cashless exercise feature and a six-year term.

On January 23, 2012, our Board of Directors and a majority of the holders of our then outstanding shares of our common stock adopted our 2012 Equity Incentive Plan (which includes both U.S. and Israeli sub-plans). On January 23, 2012, an Israeli sub-plan was adopted under our 2012 Equity Incentive Plan, which sets forth the terms for the grant of stock awards to Israeli employees or Israeli non-employees. The sub-plan was adopted in accordance with the amended sections 102 and 3(i) of Israel's Income Tax Ordinance. The sub-plan is part of the 2012 Equity Incentive Plan and subject to the same terms and conditions. On September 26, 2016 and November 30, 2016, respectively, our Board of Directors and stockholders approved an amendment to the 2012 Equity Incentive Plan increasing the number of shares of common stock available under the plan to 1,873,000 as well as amended the 2012 Equity Incentive Plan to permit grants of shares of common stock. On February 2, 2017 and March 9, 2017, respectively, our Board of Directors and stockholders approved an amendment to the 2012 Equity Incentive Plan increasing the number of shares of common stock available under the plan to 2,373,000. On October 9, 2017 and December 4, 2017, respectively, our Board of Directors and stockholders approved an amendment to the 2012 Equity Incentive Plan increasing the number of shares of common stock available under the plan to 3,873,000. On March 26, 2018 and May 18, 2018, respectively, our Board of Directors and stockholders approved an amendment to the 2012 Equity Incentive Plan increasing the number of shares of common stock available under the plan to 5,373,000. On October 7, 2018 and November 29, 2018, respectively, our Board of Directors and stockholders approved an amendment to the 2012 Equity Incentive Plan increasing the number of shares of common stock available under the plan to 7,873,000. On September 3, 2019 and November 6, 2019, respectively, our Board of Directors and stockholders approved an amendment to the 2012 Equity Incentive Plan increasing the number of shares of common stock available under the plan to 618,650 on a post reverse stock split basis. On December 26, 2019 and February 5, 2020, respectively, our Board of Directors and stockholders approved an amendment to the 2012 Equity Incentive Plan increasing the number of shares of common stock available under the plan to 1,968,650. Following the amendments to the 2012 Equity Incentive Plan, as of March 1, 2021, there are 115 shares of Common Stock reserved for issuance thereunder. On September 2, 2020 and October 14, 2020, respectively, our Board of Directors and stockholders approved and adopted the Company's 2020 Equity Incentive Plan (the "2020 Equity Incentive Plan"), reserving for issuance a pool of 900,000 shares of the Company's common stock under the plan. On January 1, 2021 the number of shares of common stock available under the plan increased to 1,828,890 according to the terms thereof. As of March 1, 2021, there are 633,171 shares of Common Stock reserved for issuance thereunder. The Company's officers and directors are among the persons eligible to receive awards under the 2020 Equity Incentive Plan in accordance with the terms and conditions thereunder.

The purpose of both our 2012 and 2020 Equity Incentive Plans is to attract and retain directors, officers, consultants, advisors and employees whose services are considered valuable, to encourage a sense of proprietorship and to stimulate an active interest of such persons in our development and financial achievements. Each of the 2012 and 2020 Equity Incentive Plans will be administered by the Compensation Committee of our Board of Directors or by the full board, which may determine, among other things, the (a) terms and conditions of any option or stock purchase right granted, including the exercise price and the vesting schedule, (b) persons who are to receive options and stock purchase rights and (c) the number of shares to be subject to each option and stock purchase right. The 2012 and 2020 Equity Incentive Plans will each provide for the grant of (i) ”incentive” options (qualified under section 422 of the Internal Revenue Code of 1986, as amended) to employees of our company and (ii) non-qualified options to directors and consultants of our company. In addition, our Board of Directors has authorized the appointment of IBI Capital Compensation and Trusts (2004) Ltd. to act as a trustee for grants of options under the Israeli sub-plan to Israeli residents.

In connection with the administration of our 2012 and 2020 Equity Incentive Plans, our Compensation Committee will:

- determine which employees and other persons will be granted awards under our 2012 and 2020 Equity Incentive Plans;
- grant the awards to those selected to participate;
- determine the exercise price for options; and
- prescribe any limitations, restrictions and conditions upon any awards, including the vesting conditions of awards.

Our Compensation Committee will: (i) interpret our 2012 and 2020 Equity Incentive Plans; and (ii) make all other determinations and take all other action that may be necessary or advisable to implement and administer our 2012 and 2020 Equity Incentive Plans.

The 2012 and 2020 Equity Incentive Plans each provide that in the event of a change of control event, the Compensation Committee or our Board of Directors shall have the discretion to determine whether and to what extent to accelerate the vesting, exercise or payment of an award.

In addition, our Board of Directors may amend our 2012 or 2020 Equity Incentive Plan at any time. However, without stockholder approval, our 2012 or 2020 Equity Incentive Plan may not be amended in a manner that would:

- increase the number of shares that may be issued under such Equity Incentive Plan;
- materially modify the requirements for eligibility for participation in such Equity Incentive Plan;
- materially increase the benefits to participants provided by such Equity Incentive Plan; or
- otherwise disqualify such Equity Incentive Plan for coverage under Rule 16b-3 promulgated under the Exchange Act.

Awards previously granted under our 2012 or 2020 Equity Incentive Plans may not be impaired or affected by any amendment of such without the consent of the affected grantees.

Option Exercises

To date, no options have been exercised by our directors or officers.

Unregistered Sales of Equity Securities and Use of Proceeds

During the fourth quarter of 2020, we issued an aggregate 79,368 shares of our common stock to certain of our service providers as compensation to them for services rendered. We claimed exemption from registration under the Securities Act of 1933, as amended, or the Securities Act, for the foregoing transactions under Section 4(a)(2) of the Securities Act.

Item 6. Selected Financial Data

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation

Readers are advised to review the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and the related notes and other financial information included elsewhere in this Annual Report. Some of the information contained in this discussion and analysis or set forth elsewhere in this Annual Report, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. See "Cautionary Note Regarding Forward-Looking Statements". You should review the "Risk Factors" section of this Annual Report for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Overview

We are a leading global DTx company revolutionizing the way people manage their health across the chronic condition spectrum to live a better and healthier life. Our mission is to transform how affected individuals manage their health and chronic conditions by empowering our customers to easily manage their conditions and take steps to improve their overall health. Most chronic conditions are driven by personal behaviors and the actions that are or are not taken. We believe that changing these behaviors can dramatically improve our customers' overall health and substantially reduce unnecessary health spending. However, behavioral change and habit formation are difficult, especially in managing chronic disease and related conditions. Our digital therapeutics endeavor to produce lasting behavior changes in our customers by applying a novel combination of AI-driven dynamic personalization and behavioral science at scale. This allows us to engage and support our customers, and offer them a complete virtual care solution, ideally resulting in improved health outcomes and reduced total cost of care.

Our principal operating subsidiary, LabStyle Innovation Ltd., is an Israeli company with its headquarters in Caesarea, Israel. We were formed on August 11, 2011, as a Delaware corporation with the name LabStyle Innovations Corp. On July 28, 2016, we changed our name to DarioHealth Corp. We began our sales in the direct-to-consumer space, solving first for what we deemed the most difficult problems: how to engage users and support behavior change to improve clinical outcomes in diabetes. Our most developed AI tools leverage the direct-to-consumer experience from over 150,000 members to drive superior engagement and outcomes. In early 2020, we broadened our solutions to include other medical conditions in addition to diabetes, and to serve business customers who seek to improve the health of their stakeholders. Presently, we have deployed solutions for diabetes, hypertension, and pre-diabetes, and through our acquisition of Upright, we now offer solutions for musculoskeletal ("MSK") conditions. We intend to deploy behavioral health and other condition solutions in 2021, which conditions will also be powered by our AI-driven behavior change platform. We are currently delivering B2B2C solutions for providers, employers, and pharmaceutical companies, and we plan to develop a full-risk health plan business across a range of customer product lines in 2021.

We commenced a commercial launch of our free application in the United Kingdom in late 2013 and commenced an initial soft launch of the full Dario solution (including the app and the Dario Blood Glucose Monitoring System) in selected jurisdictions in March 2014. We continued to scale up launch during 2014 in the United Kingdom, the Netherlands and New Zealand, and during 2015 in Australia, Israel and Canada, with the goal of collecting customer feedback to refine our longer-term roll-out strategy. We are consistently adding new additional features and functionality in making Dario the new standard of care in diabetes data management.

Through our Israeli subsidiary, Labstyle, and its subsidiary Upright, our plan of operations is to continue the development of our software and hardware offerings and related technology. During 2015, we successfully launched the Dario Smart Diabetes Management Solution according to plan and are currently expanding the launch to other jurisdictions. In 2016, we established our direct-to-consumer model in the U.S. to achieve higher and faster penetration into the market during the launch phase. We have invested in a robust digital marketing department with in-house platforms, experienced personnel and robust infrastructures to support expected growth of users and online subscribers in this market. During the third quarter of 2016 we expanded these efforts to include Australia as well. In 2017, we expanded our direct-to-consumer marketing efforts in the United Kingdom in cooperation with our local distributor and launched similar marketing efforts in Germany. In support of these goals, we intend to utilize our funds for the following activities:

- ramp up of mass production, marketing and distribution and sales efforts related to the Dario Smart Diabetes Management Solution and the DarioEngage platform;
- develop our customer support and telemarketing services in order to support the expect growth of our revenues and the increase of user, and service provider who will use our platform to better serve people with diabetes and improve their clinical outcome;
- continued product and software development, and related activities (including costs associated with application development and data storage capabilities as well as any necessary design modifications to the various elements of the Dario Smart Diabetes Management Solution, the DarioEngage platform and the Dario Loop tools and capabilities);
- continued work on registration of our patents worldwide;
- Regulatory and quality assurance matters;
- professional fees associated with being a publicly reporting company; and
- general and administrative matters.

On January 26, 2021, Dario, Labstyle, Upright Technologies Ltd., an Israeli limited company, Vertex C (C.I.) Fund L.P. (in its capacity as the representative of the Selling Shareholders), and all holders of Upright's outstanding securities (the "Selling Shareholders"), entered into a share purchase agreement (the "Upright Agreement") pursuant to which Dario, through Labstyle, acquired all of the outstanding securities of Upright. The agreement was consummated on February 1, 2021, and Upright now operates as a wholly owned subsidiary of the Company. As part of the acquisition, Dario issued the Selling Shareholders 1,687,612 shares of the Company's common stock, and agreed to assume options to purchase up to 100,193 shares of the Company's common stock, subject to certain escrow and indemnity provisions contained in the Upright Agreement (in the aggregate, the "Consideration Shares"). In addition, the shares issued are subject to the terms of a lock-up agreement, pursuant to which the Selling Shareholders (subject to certain exceptions) have agreed to restrict their ability to transfer their shares as follows: (i) shares representing 20% of their respective Consideration Shares will be restricted from transfer for a period of one hundred and eighty (180) days from the date of the closing of the acquisition (the "Closing Date"), (ii) shares representing 30% of their respective Consideration Shares will be restricted from transfer for a period of two hundred and seventy (270) days from the Closing Date, (iii) shares representing 30% of their respective Consideration Shares will be restricted from transfer for a period of three hundred and sixty (360) days from the Closing Date and (iv) shares representing 20% of their respective Consideration Shares will be restricted from transfer for a period of four hundred and fifty (450) days from the Closing Date. The Company has also agreed to file a registration statement covering the resale of the shares within ninety (90) days following the Closing Date. In addition, 30% of the Consideration Shares issuable to Upright's founder, Mr. Oded Cohen, shall be held in a specific holdback retention mechanism, of which 50% shall be released at the lapse of twelve (12) months of retention following the Closing Date, and the balance of 50% shall be released at the lapse of eighteen (18) months of retention following the Closing Date.

On February 1, 2021, the Company, through Labstyle, has also agreed to enter into an employment agreement with Mr. Cohen, pursuant to which he will serve as General Manager of MSK. In consideration for Mr. Cohen's duties, he will be entitled to (a) a monthly salary of NIS 63,000, (b) an annual bonus of up to four times his monthly salary, and (c) up to 220,980 shares of restricted stock of the Company, subject to meeting certain key performance metrics. See "Management – Employment Agreements."

Readers are cautioned that, according to our management's estimates, based on our budget and the initial launch of our commercial sales, we believe that we will have sufficient resources to continue our activity only into June 2021 without raising additional capital. This includes an amount of anticipated inflows from sales of Dario through direct sales in the United States and through distribution partners. As such, we have a significant present need for capital. If we are unable to scale up our commercial launch of Dario or meet our commercial sales targets (or if we are unable to ramp up revenues), and if we are unable to obtain additional capital resources in the near term, we may be unable to continue activities, absent material alterations in our business plans, and our business might fail.

Critical Accounting Policies

Our consolidated financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). Our fiscal year ends December 31.

This Management's Discussion and Analysis of Financial Condition and Results of Operations discuss our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires making 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 consolidated financial statements, as well as the reported revenues and expenses for the reporting periods. On an ongoing basis, we evaluate such estimates and judgments. 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. Actual results may differ (perhaps significantly) from these estimates under different assumptions or conditions.

While all the accounting policies impact the consolidated financial statements, certain policies may be viewed to be critical. Our management believes that the accounting policies which involve more significant judgments and estimates used in the preparation of our consolidated financial statements, include revenue recognition, inventories, liability related to certain warrants, and accounting for production lines and its related useful life and impairment.

Revenue Recognition

We derive our revenue principally from:

- sale of our products, device-specific disposables test strip cartridges, lancets and our Dario Blood Glucose Monitoring System through distributors or directly to end users;
- revenue from providing Remote Patient Monitoring services to healthcare providers through the DarioEngage platform; and
- revenue from ongoing membership programs, providing our users personalized diabetes management programs, including lifestyle changes, healthy eating, advanced tracking and live coaching.

Revenue is recognized under the five-step methodology in accordance with Accounting Standards Codification ("ASC") - ASC 606, which requires us to identify the contract with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations identified, and recognize revenue when (or as) each performance obligation is satisfied.

Revenue from product sales is recognized in the period in which the products are provided to customers. Revenues are recognized when control of the promised products is transferred to customers, in an amount that reflects the consideration to which we expect to receive from patients.

Revenues from ongoing membership programs and Remote Patient Monitoring services are recognized for each individual performance obligation when delivery has occurred, by fulfillment of product and service to costumer. Our revenues are recognized in the period in which services and related products are provided to customers and are recorded either at a point in time for the sale of products, or over the fixed service period for membership. The fee paid in upfront, fixed or determinable, the allocation of the transaction price to each performance obligations product and service based on the best estimate of selling price which is established considering several internal factors including, but not limited to, historical sales, pricing practices and geographies in which we offer our products.

Inventories

Inventory write-down is measured as the difference between the cost of the inventory and net realized value based upon assumptions about future demand, and is charged to the cost of sales. At the point of the loss recognition, a new, lower-cost basis for that inventory is established, and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

If there were to be a sudden and significant decrease in demand for our products or if there were a higher incidence of inventory obsolescence because of rapidly changing technology and customer requirements, we could be required to increase our inventory write-downs and our gross margin could be adversely affected. Inventory and supply chain management remain areas of focus as we balance the need to maintain supply chain flexibility, to help ensure competitive lead times with the risk of inventory obsolescence.

During the year ended December 31, 2020, total inventory write-downs expenses amounted to $99,000.

Production Lines

Capitalization of Costs. We capitalize direct incremental costs of third-party manufacturers related to the equipment in our production lines. We cease construction cost capitalization relating to our production lines once they are ready for its intended use and held available for occupancy. All renovations and betterments that extend the economic useful lives of assets and/or improve the performance of the production lines are capitalized.

Useful Lives of Assets. We are required to make subjective assessments as to the useful lives of our production lines for purposes of determining the amount of depreciation to record on an annual basis with respect to our construction of the production lines. These assessments have a direct impact on our net income (loss). Production lines are usually depreciated on a straight-line basis over a period of up to seven years, except any renovations and betterments which are depreciated over the remaining life of the production lines.

Impairment of production lines. We are required to review our production lines for impairment in accordance with ASC 360, “Property, Plant and Equipment,” whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Results of Operations

Comparison of the Year Ended December 31, 2020 to Year Ended December 31, 2019

Revenues

Revenues for the year ended December 31, 2020 amounted to $7,576,000, compared to $7,559,000 during the year ended December 31, 2019.

Revenues generated during the year ended December 31, 2020 were derived mainly from the sales of the Dario Blood Glucose Monitoring System, through direct sales to consumers located mainly in the United States through our on-line store and through distributors, and from the offering of our membership services to our customers located mainly in the United States.

Cost of Revenues

During the years ended December 31, 2020 and 2019, we recorded costs related to revenues in the amount of $5,063,000 and $4,962,000, respectively. The increase in cost of revenues was mainly due to higher costs related to shipping products to our customers.

Cost of revenues consist mainly of cost of device production, employees' salaries and related overhead costs, depreciation of production line and related cost of equipment used in production, shipping and handling costs and inventory write-downs.

Research and Development Expenses

Our research and development expenses increased by $741,000 to $4,433,000 for the year ended December 31, 2020 compared to $3,692,000 for the year ended December 31, 2019. This increase was mainly due to increase in salaries and stock-based compensation, partially offset by a decrease of other research and development costs relating primarily to product development. Our research and development expenses, excluding stock-based compensation and depreciation, for the year ended December 31, 2020, were $3,584,000 compared to $3,432,000 for the year ended December 31, 2019, an increase of $152,000. This increase was due to an increase in salaries and related expenses.

Research and development expenses consist mainly of payroll expenses to employees involved in research and development activities, expenses related to our Dario Smart Diabetes Management Solution, expenses related to the development of our DarioEngage platform, labor contractors and engineering expenses, depreciation and maintenance fees related to equipment and software tools used in research and development, clinical trials performed in the United States to satisfy the FDA product approval requirements and facilities expenses associated with and allocated to research and development activities.

Sales and Marketing

Our sales and marketing expenses increased by $4,100,000 to $15,227,000 for the year ended December 31, 2020 compared to $11,127,000 for the year ended December 31, 2019. This increase was mainly due to the increase in salaries and stock-based compensation. Our sales and marketing expenses, excluding stock-based compensation and depreciation, for the year ended December 31, 2020 were $12,452,000 compared to $10,790,000 for the year ended December 31, 2019, an increase of $1,662,000. This increase was due to an increase in salaries and related expenses, as a result of hiring our sales and marketing team in the U.S. to lead the penetration into the B2B2C market.

Sales and marketing expenses consist mainly of payroll expenses, trade show expenses, customer support expenses and on-line marketing campaigns.

General and Administrative Expenses

Our general and administrative expenses increased by $7,273,000 to $12,756,000 for the year ended December 31, 2020 compared to $5,483,000 for the year ended December 31, 2019. The increase was mainly due to an increase in stock-based compensation. Our general and administrative expenses, excluding stock-based compensation and depreciation, for the year ended December 31, 2020 were $5,239,000 compared to $3,753,000 for the year ended December 31, 2019, an increase of $1,486,000. This increase was due to an increase in insurance, legal expenses and investor relations expenses.

Our general and administrative expenses consist mainly of payroll and stock-based compensation expenses for management, employees, directors and consultants, legal and accounting fees, patent registration, expenses related to investor relations, as well as our office rent and related expenses.

Finance income (expenses), net

Our finance income, net, increased by $489,000 to $458,000 for the year ended December 31, 2020 compared to $31,000 financing expenses for the year ended December 31, 2019. The increase from 2019 was mainly due to gains derives from currency translation differences. Finance expenses include mainly bank charges, lease liability translation differences, and foreign currency translation adjustments.

Net loss

Net loss for the year ended December 31, 2020 was $29,445,000. Net loss for the year ended December 31, 2019 was $17,736,000. The increase from 2019 was mainly due to the increase in our operating expenses.

Net operating loss carryforwards

As of December 31, 2020, we had U.S. federal net operating loss carryforwards of approximately $16,223,000, of which $7,120,000 was generated from tax years 2011-2017 and can be carryforward and offset against taxable income and that expires during the years 2031 to 2037.

On December 22, 2017, the U.S. Tax Cuts and Jobs Act of 2017 (the "TCJA") modified the rules regarding utilization of net operating loss and net operating losses generated subsequent to the TCJA can only be used to offset 80% of taxable income with an indefinite carryforward period for unused carryforwards (i.e., they should not expire). During 2018 - 2020, we generated additional $9,103,000 of net operating losses carryforwards which are not subject to the annual limitation described above.

Our Israeli subsidiary has accumulated net operating losses for Israeli income tax purposes as of December 31, 2020 in the amount of approximately $86,600,000. The net operating losses may be carried forward and offset against taxable income in the future for an indefinite period.

In accordance with U.S. GAAP, it is required that a deferred tax asset be reduced by a valuation allowance if, based on the weight of available evidence it is more likely than not (a likelihood of more than 50 percent) that some portion or all of the deferred tax assets will not be realized. The valuation allowance should be sufficient to reduce the deferred tax asset to the amount which is more likely than not to be realized. As a result, we recorded a valuation allowance with respect to our deferred tax asset. Under Sections 382 and 383 of the Internal Revenue Code, if an ownership change occurs with respect to a "loss corporation" (as defined in the Internal Revenue Code), there are annual limitations on the amount of the net operating loss and other deductions which are available to us.

The factors described above resulted in net loss attributable to common stockholders of $33,103,000 and $20,891,000 for the year ended December 31, 2020 and 2019, respectively.

Non-GAAP Financial Measures

To supplement our consolidated financial statements presented in accordance with U.S. GAAP within this Annual Report on Form 10-K, management provides certain non-GAAP financial measures ("NGFM") of the Company's financial results, including such amounts captioned: "net loss before interest, taxes, depreciation, and amortization" or "EBITDA," and "Non-GAAP Adjusted Loss," as presented herein below. Importantly, we note the NGFM measures captioned "EBITDA" and "Non-GAAP Adjusted Loss" are not recognized terms under U.S. GAAP, and as such, they are not a substitute for, considered superior to, considered separately from, nor as an alternative to, U.S. GAAP and /or the most directly comparable U.S. GAAP financial measures.

Such NGFM are presented with the intent of providing greater transparency of information used by us in our financial performance analysis and operational decision-making. Additionally, we believe these NGFM provide meaningful information to assist investors, shareholders, and other readers of our consolidated financial statements, in making comparisons to our historical financial results, and analyzing the underlying financial results of our operations. The NGFM are provided to enhance readers' overall understanding of our current financial results and to provide further information to enhance the comparability of results between the current year period and the prior year period.

We believe the NGFM provide useful information by isolating certain expenses, gains, and losses, which are not necessarily indicative of our operating financial results and business outlook. In this regard, the presentation of the NGFM herein below, is to help the reader of our consolidated financial statements to understand the effects of the non-cash impact on our (U.S. GAAP) unaudited statement of operations of the revaluation of the warrants and the expense related to stock-based compensation, each as discussed herein above.

A reconciliation to the most directly comparable U.S. GAAP measure to NGFM, as discussed above, is as follows:

	Year Ended December 31, (in thousands)		
	2020	**2019**	**$ Change**
Net Loss Reconciliation			
Net loss - as reported	$ (29,445)	$ (17,736)	$ (11,709)
Adjustments			
Depreciation expense	190	183	7
Other financial expenses (income), net	(458)	31	(489)
EBITDA	(29,713)	(17,522)	(12,191)
Stock-based compensation expenses	11,102	2,316	8,786
Non-GAAP adjusted loss	$ (18,611)	$ (15,206)	$ (3,405)

Liquidity and Capital Resources

As of December 31, 2020, we had approximately $28,590,000 in cash and cash equivalents compared to $20,395,000 at December 31, 2019.

We have experienced cumulative losses of $143,248,000 from inception (August 11, 2011) through December 31, 2020 and have a stockholders' equity of $35,407,000 at December 31, 2020. In addition, we have not completed our efforts to establish a stable recurring source of revenues sufficient to cover our operating costs and expect to continue to generate losses for the foreseeable future.

Since inception, we have financed our operations primarily through private placements and public offerings of our common stock and warrants to purchase shares of our common stock, receiving aggregate net proceeds totaling $123,974,000 as of December 31, 2020.

On February 28, 2018 and March 6, 2018, we closed two concurrent private placements offerings consisting of 113,110 shares of our common stock at $28.00 per share, 61,704 shares of our Series C Convertible Preferred Stock at $56.00 per share and warrants to purchase up to 189,218 shares of common stock for aggregate gross proceeds of approximately $6,623,000.

On September 13, 2018 and September 26, 2018, we closed two concurrent private placements offerings consisting of 213,340 shares our common stock at $18.00 per share, 94,513 shares of our Series D Convertible Preferred Stock at $72.00 per share and warrants to purchase up to 473,114 shares of common stock, for aggregate gross proceeds of approximately $10,645,000.

On December 13, 2018 and December 27, 2018, we closed a private placement offering of 152,504 shares of our common stock at a purchase price of $20.00 per share and warrants to purchase up to 152,500 shares of our common stock at $25.00 per share for aggregate gross proceeds of approximately $3,050,000.

On November 27, 2019, we entered into subscription agreements with accredited investors relating to an offering with respect to the sale of an aggregate of 8,361 shares of newly designated Series A Convertible Preferred Stock and an aggregate of 5,200 shares of newly designated Series A-1 Convertible Preferred Stock, at a purchase price of $1,000 for each share of Series A Preferred Stock and Series A-1 Preferred Stock, for aggregate gross proceeds to the Company of $13,560,000. The initial closing of the offering took place on November 27, 2019. On December 3, 2019, we entered into subscription agreements with accredited investors relating to an offering and the sale of an aggregate of 1,915 shares of newly designated Series A-2 Preferred Stock, at a purchase price of $1,000 per share, for aggregate gross proceeds to the Company of $1,915,000. On December 4, 2019, we into subscription agreements with accredited investors relating to an offering and the sale of an aggregate of 3,808 shares of newly designated Series A-3 Preferred Stock, at a purchase price of $1,000 per share, for aggregate gross proceeds to the Company of $3,808,000. On December 5, 2019, we entered into subscription agreements with accredited investors relating to an offering and the sale of an aggregate of 745 shares of newly designated Series A-4 Preferred Stock, at a purchase price of $1,000 per share, for aggregate gross proceeds to the Company of $745,000. On December 19, 2019, we entered into subscription agreements with accredited investors relating to an offering and the sale of an aggregate of 1,346 shares of newly designated Series A-3 Preferred Stock, at a purchase price of $1,000 per share, for aggregate gross proceeds to the Company of $1,346,000. The total aggregate gross proceeds of the offering described above, together with gross proceeds from the closing of the offering of Series A Preferred Stock, Series A-1 Preferred Stock, Series A-2 Preferred Stock, Series A-3 Preferred Stock and Series A-4 Preferred Stock was $21,375,000.

On July 28, 2020, we entered into subscription agreements with accredited investors relating to an offering with respect to the sale of an aggregate of (i) 2,969,266 shares of our common stock, at a purchase price of $7.47 per share, and (ii) pre-funded warrants to purchase 824,689 shares of common stock, at a purchase price of $7.4699 per pre-funded warrant. In addition, on July 30, 2020, we entered into a subscription agreement with an accredited investor for the purchase of 31,486 shares of our common stock at a purchase price per share of $7.94 per share. The aggregate gross proceeds were approximately $28,591,000.

In September 2020, we and an existing warrant holder entered into an agreement pursuant to which we agreed to lower the exercise price of certain warrants issued in September 2018, from $25.00 to $13.00 per share. As a result, the warrant holder exercised warrants to purchase 88,889 shares of our common stock, resulting in aggregate gross proceeds of approximately $1,156,000.

On January 26, 2021, we entered into securities purchase agreements with institutional accredited investors relating to an offering with respect to the sale of an aggregate of 3,278,688 shares of the Company's common stock at a purchase price of $21.35 per share, for aggregate gross proceeds of $70,000,000. The closing of the offering was consummated on February 1, 2021. The purchase price per share represents the "Minimum Price" of the Company's Common Stock pursuant to Nasdaq Rule 5635(d) as of the date of execution of each respective securities purchase agreement. The Company and the investors participating in the offering also executed a registration rights agreement pursuant to which the Company agreed to file a registration statement covering the resale of the shares within sixty (60) days following the final closing of the offering.

Readers are advised that available resources may be consumed more rapidly than currently anticipated, resulting in the need for additional funding sooner than expected. Should this occur, we will need to seek additional capital earlier than anticipated in order to fund (1) further development and, if needed (2) expenses which will be required in order to expand manufacturing of our products, (3) sales and marketing efforts and (4) general working capital. Such funding may be unavailable to us on acceptable terms, or at all. Our failure to obtain such funding when needed could create a negative impact on our stock price or could potentially lead to the failure of our company. This would particularly be the case if we are unable to commercially distribute our products and services in the jurisdictions and in the timeframes we expect.

Cash Flows

The following tables sets forth selected cash flow information for the periods indicated:

	December 31,	
	2020	**2019**
	$	$
Cash used in operating activities:	(17,736,000)	(15,725,000)
Cash used in investing activities:	(1,622,000)	(113,000)
Cash provided by financing activities:	27,548,000	25,247,000

Net cash used in operating activities

Net cash used in operating activities was $17,736,000 for the year ended December 31, 2020 compared to $15,725,000 used in operations for the same period in 2019. Cash used in operations increased mainly due to an increase in our operating expenses.

Net cash used in investing activities

Net cash used for investing activities was $1,622,000 for the year ended December 31, 2020 compared to cash used in investing activities of $113,000 for the year ended December 31, 2019. Cash used in investing activities increased mainly due to a convertible bridge loan extended to Upright and higher investments in fixed assets.

Net cash provided by financing activities

Net cash provided by financing activities was $27,548,000 for the year ended December 31, 2020 compared to $25,247,000 for the year ended December 31, 2019. During the year ended December 31, 2020, we raised net proceeds in an amount of approximately $27,548,000 mainly through our July 2020 offering.

Contractual Obligations

Set forth below is a summary of our current obligations as of December 31, 2020 to make future payments due by the period indicated below, excluding payables and accruals. We expect to be able to meet our obligations in the ordinary course. Operating lease obligations are for motor vehicle and real property leases which we use in our business. Purchasing obligations consists of outstanding purchase orders for materials and services from our vendors.

	Payments due by period (In U.S. dollars thousands)		
Contractual Obligations	**Total**	**Less than 1 year**	**1-5 years**
Operating Lease Obligations	$ 691	$ 411	$ 280
Purchasing Obligations	2,881	2,881	-
Total contractual cash obligations	$ 3,572	$ 3,292	$ 280

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements as defined under Securities and Exchange Commission rules.

Contingencies

We account for our contingent liabilities in accordance with ASC 450 “Contingencies“. A provision is recorded when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

With respect to legal matters, provisions are reviewed and adjusted to reflect the impact of negotiations, estimated settlements, legal rulings, advice of legal counsel and other information and events pertaining to a particular matter. Currently, we are not a party to any ligation that we believe could have a material adverse effect on our business, financial position, results of operations or cash flows.

Recently Issued and Adopted Accounting Pronouncements

In September 2016, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (“ASU 2016-13”). ASU 2016-13 changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans, and other instruments, entities will be required to use a new forward-looking “expected loss” model that generally will result in the earlier recognition of allowances for losses. The guidance also requires increased disclosures. For the Company, the amendments in the update were originally effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. In November 2019, the FASB issued ASU No. 2019-10 which delayed the effective date of ASU 2016-13 for smaller reporting companies (as defined by the U.S. Securities and Exchange Commission) and other non-SEC reporting entities to fiscal years beginning after December 15, 2022, including interim periods within those fiscal periods. Early adoption is permitted. The Company is currently assessing the impact the guidance will have on its consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

Not applicable.

Item 8. Financial Statements and Supplementary Data

Our consolidated financial statements and notes thereto and the report of Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, our independent registered public accounting firm, are set forth on pages F-1 through F-31 of this Annual Report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that, at December 31, 2020, such disclosure controls and procedures were effective.

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.

Limitations on the Effectiveness of Internal Controls

Readers are cautioned that our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will necessarily prevent all fraud and material error. An internal control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our control have been detected. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any control design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

As required by the SEC rules and regulations, our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our consolidated financial statements for external reporting purposes in accordance with U.S. GAAP. Our internal control over financial reporting includes those policies and procedures that:

(1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of our company;

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect errors or misstatements in our consolidated financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree or compliance with the policies or procedures may deteriorate. Management assessed the effectiveness of our internal control over financial reporting at December 31, 2020. In making these assessments, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework). Based on our assessments and those criteria, management determined that we maintained effective internal control over financial reporting at December 31, 2020.

Item 9B. Other Information

2020 Bonuses

On March 4, 2021, the Compensation Committee of the Board of Directors approved annual bonuses to the Company's management team for the achievement of certain milestones in the 2020 fiscal year. In that regard, Mr. Erez Raphael was awarded a cash bonus of $350,000, Mr. Richard Anderson was awarded a cash bonus of $212,500, and each of Mr. Zvi Ben-David and Mr. Dror Bacher were awarded cash bonuses of $120,000.In addition, the Compensation Committee of the Board of Directors approved a one-time bonus to the Mr. Yoav Shaked, Chairman of the Board of Directors, of $100,000.

Oded Cohen Employment Agreement

On March 4, 2021, the Company, through Upright, executed an Employment Agreement with Oded Cohen (the "Employment Agreement") pursuant to which he will serve as General Manager of Musculoskeletal (MSK), effective as of February 1, 2021. The Employment Agreement supersedes the agreement entered into by and between the Company, through LabStyle Innovation Ltd., and Mr. Cohen dated February 1, 2021. Pursuant to the Employment Agreement, Mr. Cohen will earn a monthly salary of NIS 63,000 and shall be eligible for an annual bonus equal to up to four times his monthly salary. The Employment Agreement is an at-will employment arrangement, with a four month notice period, unless it is terminated for cause. In addition, Mr. Cohen will be entitled to severance payment pursuant to applicable Israeli severance law. In the event the Employment Agreement is terminated by us for cause, Mr. Cohen will only be entitled to a severance pay under applicable Israeli severance law. Mr. Cohen's Employment Agreement also includes a one-year non-competition and non-solicitation provision, certain confidentiality covenants and assignment of any of his company-related inventions. Under the terms of the Employment Agreement, Mr. Cohen is entitled to certain expense reimbursements and other standard benefits, including vacation, sick leave, contributions to a manager's insurance policy and study fund and car and mobile phone allowances. In addition, Mr. Cohen will be entitled to receive a restricted stock unit award to receive up to 73,660 shares of the Company's common stock and, subject to the meeting of certain milestones, subject to the meeting of certain milestones an additional restricted stock unit award to receive up to 73,660 shares of the Company's common stock on March 1, 2022, and subject to the meeting of certain milestones an additional restricted stock unit award to receive up to 73,660 shares of the Company's common stock on March 1, 2023.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The following sets forth information regarding our executive officers and the members of our Board of Directors as of the date of this Annual Report. All directors hold office for one-year terms until the election and qualification of their successors. Officers are appointed by our Board of Directors and serve at the discretion of our Board of Directors, subject to applicable employment agreements.

Name	Age	Position(s)
Erez Raphael	47	Chief Executive Officer and Director
Zvi Ben David	60	Chief Financial Officer, Treasurer and Secretary
Dror Bacher	46	Chief Operating Officer
Richard Anderson	51	President and General Manager of North America
Oded Cohen	50	General Manager of MSK
Yoav Shaked	49	Chairman of the Board of Directors
Dennis Matheis	60	Director
Hila Karah	52	Director
Dennis M. McGrath	64	Director
Adam Stern	56	Director
Prof. Richard B. Stone	78	Director

Erez Raphael has served as our Chief Executive Officer since August 9, 2013 and as a director of our company since December 2013. Mr. Raphael served as Chairman of the Board of Directors from November 2014 to July 2018, and as a director from November 2014 to the present. He previously and until October 2012 served as our Vice President of Research and Development. Mr. Raphael has over 17 years of industry experience, having been responsible in his career for product delivery, technology and business development. Prior to joining us, from 2010 to 2012, Mr. Raphael served as Head of Business Operations for Nokia Siemens Networks, where he was responsible for establishing and implementing a new portfolio business unit directed towards marketing and sales of complimentary products. Prior to that, from 1998 to 2010, he held increasingly senior positions at Amdocs Limited (Nasdaq:DOX) where he was ultimately responsible for advising the Chief Technology Officer and implementing matters of overall business strategy. Mr. Raphael holds a B.A. in economics and business management from Haifa University. We believe Mr. Raphael is qualified to serve on our Board of Directors because of his extensive experience with technology companies and in sales and marketing.

Zvi Ben David has served as our Chief Financial Officer, Treasurer and Secretary since January 7, 2015. Mr. Ben David has over 25 years of experience in corporate and international financial management, including at both publicly-listed and private companies. Since 2012, he has acted as an independent entrepreneur with, and investor in, various medical device ventures. From 2005 to 2012, Mr. Ben David served as the Chief Financial Officer of UltraShape Medical Ltd., a developer, manufacturer and marketer of innovative non-invasive technologies for fat cell destruction and body sculpting. While with UltraShape, he helped lead the company through $35 million in private financing, followed by the company's merger with a Tel Aviv Stock Exchange company and ultimately the company's sale to Syneron Medical Ltd. From 2000 to 2005, he served as Vice President and Chief Financial Officer of Given Imaging Ltd., where he was part of the management team that led that company's 2001 initial public offering and 2004 follow-on offering, and served as a director of that company from its establishment in 1998 to 2000. From 1995 to June 2000, Mr. Ben David served as Vice President and Chief Financial Officer of RDC Rafael Development Corporation, one of Given Imaging Ltd.'s principal shareholders. From 1994 to 1995, Mr. Ben David served as manager of the finance division of Electrochemical Industries (Frutarom) Ltd., an Israeli company traded on the Tel-Aviv Stock Exchange and the American Stock Exchange, and from 1989 to 1993, Mr. Ben David served as the manager of that company's economy and control department. From 1984 to 1988, Mr. Ben David worked at Avigosh & Kerbs, an accounting firm in Haifa, Israel. Mr. Ben David is a certified public accountant in Israel and holds a B.A. in economics and accounting from Haifa University.

Dror Bacher has served as our Chief Operating Officer since July 25, 2017. Mr. Bacher previously served as our Vice President of Research and Development as well as Vice President of Operations since 2013 where he worked on product development as well as building a scalable supply chain. Mr. Bacher has over 18 years of experience in various technological companies and his expertise includes product management, product development and business operations in multi disciplinary environments. Between 2008 and 2013, Mr. Bacher Served in several leadership roles at Amdocs Limited (Nasdaq:DOX), including working as a part of the Chief Technology Office, managing enterprise development programs for a variety of software products associated with service delivery, as well as serving as head of process Prior to Amdocs, Mr. Bacher served in a senior role at Tower Semiconductor (Nasdaq:TSEM), the global specialty foundry leader for IC manufacturing, where he was responsible for business operations and commercialization expansion. Mr. Bacher holds a B.Sc. in computer science and an MBA degree from Haifa University.

Richard Anderson has served as our President and General Manager of North America since January 7, 2020.. From November 2003 to December 2019, Mr. Anderson worked for Catasys, Inc. (Nasdaq: CATS), where he served as President and Chief Operating Officer from July 2008 to December 2019, and as a member of its board of directors from November 2003 to July 2019. Prior to Catasys, Inc., Mr. Anderson served as Senior Executive Vice President of Hythiam, Inc., a predecessor company of Catasys, Inc., from 2005 to 2008. From 1999 to 2005, he also served as Chief Financial Officer and Secretary of Clearant, Inc., a biotechnology company. Prior to Clearant, from 1999 to 2001, he served as the Chief Financial Officer and Managing Director of Intellect Capital Group, a venture consulting firm. Earlier in his career, Mr. Anderson was a Senior Manager/Director for PricewaterhouseCoopers. Mr. Anderson holds a B.A. in Business Economics from the University of California at Santa Barbara.

Oded Cohen has served as our General Manager of MSK since February 1, 2021. From May 2012 to February 2021, Mr. Cohen served as the founder and CEO of Upright and was Managing Director of Hire Pacific International from May 2006 to December 2014. Prior to HPI, Mr. Cohen served as Sales Director at Comverse from April 2001 to February 2006, and as Accelerator Manager from January 2000 to March 2001. Prior to the Accelerator, Mr. Cohen served as an Avionics Engineer at Elbit Systems. Ltd. Mr. Cohen holds a B.A. in Political Science and Government from the Haifa University, and an EMBA degree from Tel Aviv University.

Yoav Shaked has served as the Chairman of our Board of Directors since July 5, 2018. Since 2011, Mr. Shaked has served as a partner at Sequoia Capital, a leading global venture capital firm. In 2005, he co-founded Medpoint Ltd., a private medical device distribution company offering a wide range of medical products. Previously, he founded and served as Chief Executive Officer of Y-Med Inc. from May 2004 through November 2009, until its sale to C.R. Bard, Inc. After the sale of Y-Med Inc., Mr. Shaked served as the director of research at ThermopeutiX, a developer of innovative products for strokes and peripheral artery disease. Mr. Shaked currently serves on the board of directors of several biotechnology companies, including Endospan, Vibrant Gastro, B-Lite (G&G Biotechnology) and Orasis Pharmaceuticals, the latter of which he serves as Chairman of the Board. Mr. Shaked has a B.A. in biology from The Hebrew University of Jerusalem. We believe that Mr. Shaked is qualified to serve as Chairman of the Board because of his extensive experience both in biotechnology companies and in the venture capital realm.

Dennis Matheis has been a director of our company since July 2, 2020. Mr. Matheis spent nearly 30 years in various senior leadership roles in health insurance and healthcare. Since October 2017, he has served as the President and Chief Executive Officer of Optima Health, Inc. and the Executive Vice President of Sentara Healthcare Plans, Inc. Prior to that, he spent 13 years in leadership roles at Anthem, Inc., serving as President of Central Region and Exchanges encompassing six states and representing $12 billion in annual revenue. Mr. Matheis also served in senior leadership roles at Anthem Blue Cross and Blue Shield of Missouri, CIGNA Healthcare and Humana Health Plan, as well as Advocate Health Care in Chicago. Mr. Matheis has a B.S. in Accounting from the University of Kentucky and practiced as a Certified Public Accountant before entering the healthcare industry. We believe that Mr. Matheis is qualified to serve on our Board of Directors because of his experience in the healthcare business.

Hila Karah has been a director of our company since November 23, 2014. Ms. Karah is an independent business consultant and an investor in several high-tech, biotech and internet companies. From 2006 to 2013, she served as a partner and Chief Investment Officer of Eurotrust Ltd., a family office. From 2002 to 2005, she served as a research analyst at Perceptive Life Sciences Ltd., a New York-based hedge fund. Prior to that, Ms. Karah served as research analyst at Oracle Partners Ltd., a health care-focused hedge fund. Ms. Karah has served as a director in several private and public companies including Intec Pharma, since 2009 and Cyren Ltd since 2008. Ms. Karah holds a B.A. in Molecular and Cell Biology from the University of California, Berkeley, and studied at the University of California, Berkeley-University of California, San Francisco Joint Medical Program. We believe Ms. Karah is qualified to serve on our Board of Directors because of her experience as an investor in and advisor to high-tech, biotech and internet companies.

Dennis M. McGrath has been a director of our company since November 12, 2013. Mr. McGrath is a seasoned medical device industry executive with extensive public company leadership experience possessing a broad range of skills in corporate finance, business development, corporate strategy, operations and administration. After an 18 year career at PhotoMedex, Inc. (Nasdaq: PHMD), he recently joined PAVmed, Inc (Nasdaq: PAVM, PAVMW) as the its Executive Vice President and Chief Financial Officer. Previously, from 2000 to 2017 Mr. McGrath served in several senior level positions of PhotoMedex, Inc. (Nasdaq: PHMD), a global manufacturer and distributor of medical device equipment and services, including from 2011 to 2017 as director, President, and Chief Financial Officer. Prior to PhotoMedex's reverse merger with Radiancy, Inc. in December 2011, he also served as Chief Executive Officer from 2009 to 2011 and served as Vice President of Finance and Chief Financial Officer from 2000 to 2009. He received honors as a P.A.C.T. (Philadelphia Alliance for Capital and Technology) finalist for the 2011 Investment Deal of the Year, award winner for the SmartCEO Magazine 2012 CEO of the Year for Turnaround Company, and finalist for the Ernst & Young 2013 Entrepreneur of the Year. He has extensive experience in mergers and acquisitions, both domestically and internationally, and particularly involving public company acquisitions, including Surgical Laser Technologies, Inc, (formerly, Nasdaq: SLTI), ProCyte Corporation (formerly, Nasdaq: PRCY), LCA Vision, Inc. (formerly, Nasdaq: LCAV) and Think New Ideas, Inc. (formerly, Nasdaq: THNK). Prior to PhotoMedex, he served in several senior level positions of AnswerThink Consulting Group, Inc. (then, Nasdaq: ANSR, now, The Hackett Group, Nasdaq: HCKT), a business consulting and technology integration company, including from 1999 to 2000 as Chief Operating Officer of the Internet Practice, the largest division of AnswerThink Consulting Group, Inc., while concurrently during the merger of the companies, serving as the acting Chief Financial Officer of Think New Ideas, Inc. (then, Nasdaq: THNK, now, Nasdaq: HCKT), an interactive marketing services and business solutions company. Mr. McGrath also served from 1996 until 1999 as Chief Financial Officer, Executive Vice President and director of TriSpan, Inc., an internet commerce solutions and technology consulting company, which was acquired by AnswerThink Consulting Group, Inc. in 1999. During his tenure at Arthur Andersen & Co., where he began his career, he became a Certified Public Accountant in 1981 and he holds a B.S., maxima cum laude, in accounting from LaSalle University. In addition to serving as a director of PhotoMedex, he serves as the audit chair and a director of several medical device companies, including Noninvasive Medical Technologies, Inc. and Cagent Vascular, LLC, and as an advisor to the board of an orphan drug company, Palvella Therapeutics, LLC. Formerly from 2007 to 2009, Mr. McGrath served as a director of Embrella Cardiovascular, Inc. (sold to Edwards Lifesciences Corporation, NYSE: EW). He also serves on the Board of Trustees for Manor College and the Board of Visitors for Taylor University. We believe Mr. McGrath is qualified to serve on our Board of Directors because of his accounting expertise and his experiences serving as an officer and director of public and private companies.

Adam Stern has been a director of our company since March 1, 2020. Mr. Stern, age 55, has been the head Private Equity Banking at Aegis Capital Corp. and CEO of SternAegis Ventures since 2012 and was a member of our board of directors between October 2011 and May 2014. Prior to Aegis, from 1997 to November 2012, he was with Spencer Trask Ventures, Inc., most recently as a Senior Managing Director, where he managed the structured finance group focusing primarily on the technology and life science sectors. Mr. Stern held increasingly responsible positions from 1989 to 1997 with Josephthal & Co., Inc., members of the New York Stock Exchange, where he served as Senior Vice President and Managing Director of Private Equity Marketing. He has been a FINRA licensed securities broker since 1987 and a General Securities Principal since 1991. Mr. Stern is a director of Aerami Therapeutics Holdings (formerly Dance Biopharm, Inc.), Matinas BioPharma Holdings, Inc. Adgero Biopharmaceuticals Holdings and Hydrofarm Holdings Group, Inc. Mr. Stern is a former director of InVivo Therapeutics Holdings Corp. (OTCQB: NVIV), Organovo Holdings, Inc. (NYSE MKT: ONVO) and PROLOR Biotech Ltd., which was sold to Opko Health, Inc. (NYSE: OPK) for approximately $600 million in 2013. Mr. Stern holds a Bachelor of Arts degree with honors from The University of South Florida in Tampa. We believe Mr. Stern is qualified to serve on our Board of Directors because of his experience in the capital markets, his experiences serving as a director of public and private companies and his experience with life sciences companies.

Prof. Richard B. Stone has been a director of our company since July 7, 2014. For more than twenty-five years, Prof. Stone has been active participant in early stage business enterprises as a director or investor, including technology and biotechnology companies. He currently serves on the board of directors of multiple technology companies, including Powermat, Espro-Accoustiguide Group, Wellsense Technologies, NanoX Imaging Plc, Illumigyn Ltd, Cardiologic Innovations, Quality Inflow Ltd., and Check-Cap. Since 1974, Prof. Stone has been a member of the faculty of Columbia Law School, where he held the Wilbur Friedman Chair in Tax Law for twenty years. In addition to basic and advanced tax courses, Prof. Stone has taught in the areas of contracts, business planning and real estate planning. Among other not-for-profit organizations he has been associated with, from 2011 to 2013, Prof. Stone served as Chairman of the Conference of Presidents of Major American Jewish Organizations. Prof. Stone began his career in 1967 in private practice in Washington, D.C, and thereafter joined the staff of the Solicitor General of the United States, where from 1969 to 1973 he was Assistant to the Solicitor General. He is a graduate of Harvard College and Harvard Law School. We believe Prof. Stone is qualified to serve on our Board of Directors because of his legal expertise and experience with life sciences companies.

Scientific Advisory Board

We have established a Scientific Advisory Board (SAB), whose members will be available to us to advise on our scientific and business plans and operational strategies. Below is the biography of our current SAB member.

Eric Miledge - ***Chairman of our Advisory Board***, has worked in the healthcare field for his entire career, with a focus on pharmaceuticals and medical devices. With more than 34 years at Johnson & Johnson (JNJ) in roles of increasing responsibility, he built a vast network of relationships across the healthcare landscape. As president of Ortho McNeil Pharmaceutical, Eric led in the licensing and successful introduction of levofloxacin (antibiotic), tramadol (analgesic) and the commercialization of Topamax (anticonvulsant), building a multi-billion dollar U.S. pharmaceutical business. Eric also served as Company Group Chairman for Johnson & Johnson Healthcare Systems which oversaw the negotiation and management of JNJ's medical device, diagnostic and pharmaceutical U.S. hospital contracts. Eric also served as Company Group Chairman of LifeScan Inc., the blood glucose division of JNJ. Under Eric's leadership, LifeScan Global Diabetes franchise experienced rapid organic and inorganic growth, including the acquisition of Inverness Medical Technology's Diabetes Care Products business. His leadership helped transform LifeScan into a global organization with thousands of employees and billions in annual revenues. After retiring from JNJ, Eric served as chairman for a number of medical device startup companies including chairman of Nfocus Neuromedical, Symetis SA and CeQur SA. Eric also served as an operating partner for Geneva based Endeavour Vision Growth, a medical device growth fund.

Dr. David Horwitz – Advisory Board Member, is presently a Senior Consultant with Numerof & Associates and also President of DLH Biomedical Consulting. He previously served as the Global Chief Medical Officer of the Johnson and Johnson Diabetes Institute. Prior to this, he was Vice President, Worldwide Clinical Affairs & Evidence-Based Medicine at LifeScan, Inc., a Johnson & Johnson company. During his time at LifeScan, Dr. Horwitz had, at various times, been responsible for Clinical Research, Medical Affairs, Regulatory Affairs, and Advocacy & Professional Affairs. Dr. Horwitz has previously held faculty positions in the medical schools at the University of Chicago and the University of Illinois, where he was a clinical professor of medicine. He is a Board-Certified internist and endocrinologist, and a Fellow of the American College of Physicians. He has published over 100 articles in scientific and clinical journals, primarily in the areas of diabetes and metabolism. He has completed a term as an industry representative on the Clinical Chemistry and Toxicology advisory panel of the U.S. Food and Drug Administration. He is presently serving as a volunteer physician for a charity-supported clinic.

Dr. Marilyn Ritholz –Advisory Board Member, is a Senior Psychologist at the Joslin Diabetes Center and treats both adults and adolescents with diabetes. In addition, she is on the faculty at Beth Israel Deaconess Medical Center (BIDMC) and is an Assistant Professor of Psychology at Harvard Medical School. Dr. Ritholz is an experienced qualitative researcher. In collaboration with colleagues, she has explored qualitative aspects of healthcare regarding the patient-provider relationship, provider communication about diabetes complications, and psychosocial factors associated with diabetes technology, including continuous glucose monitoring. She has published more than 20 qualitative articles on these topics.

Board Composition

Our business is managed under the direction of our Board of Directors. Our Board of Directors currently consists of seven members.

Pursuant to the terms of the placement agency agreement between us and Aegis Capital Corp., dated October 22, 2019, we granted Aegis the right to nominate an individual to the Board of Directors for a period of three years, which resulted in the appointment of Mr. Stern to serve on our Board of Directors.

There are no arrangements between our directors and any other person pursuant to which our directors were nominated or elected for their positions.

Board Committees

Our Board of Directors has three standing committees: An Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee.

Audit Committee

Our Audit Committee is comprised of Messrs. Shaked, McGrath and Stone, each of whom is an independent director. Mr. McGrath is the Chairman of the Audit Committee. Mr. McGrath is an "audit committee financial expert" as defined in Item 407(d)(5)(ii) of Regulation S-K.

Our Audit Committee oversees our corporate accounting, financial reporting practices and the audits of financial statements. For this purpose, the Audit Committee has a charter (which is reviewed annually) and performs several functions. The Audit Committee charter is available on our website at www.mydario.com under the Investors / Governance section. The Audit Committee:

- evaluates the independence and performance of, and assesses the qualifications of, our independent auditor and engage such independent auditor;
- approves the plan and fees for the annual audit, quarterly reviews, tax and other audit-related services and approve in advance any non-audit service to be provided by our independent auditor;
- monitors the independence of our independent auditor and the rotation of partners of the independent auditor on our engagement team as required by law;
- reviews the financial statements to be included in our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q and reviews with management and our independent auditor the results of the annual audit and reviews of our quarterly financial statements; and
- oversees all aspects our systems of internal accounting control and corporate governance functions on behalf of the Board of Directors.

Compensation Committee

Our Compensation Committee is comprised of Messrs. Shaked, McGrath and Ms. Karah. Mr. McGrath is the Chairman of the Compensation Committee.

The Compensation Committee reviews or recommends the compensation arrangements for our management and employees and also assists our Board of Directors in reviewing and approving matters such as company benefit and insurance plans, including monitoring the performance thereof. The Compensation Committee has a charter (which is reviewed annually) and performs several functions. The Compensation Committee charter is available on our website at www.mydario.com under the Investors / Governance section.

The Compensation Committee has the authority to directly engage, at our expense, any compensation consultants or other advisers as it deems necessary to carry out its responsibilities in determining the amount and form of employee, executive and director compensation.

Nominating and Corporate Governance Committee

Our Nominating and Corporate Governance Committee is currently comprised of Prof. Stone and Mr. Shaked. Prof. Stone is the Chairman of the Nominating and Corporate Governance Committee.

The Nominating and Corporate Governance Committee is charged with the responsibility of reviewing our corporate governance policies and with proposing potential director nominees to the Board of Directors for consideration. This committee also has the authority to oversee the hiring of potential executive positions in our company. The Nominating and Corporate Governance Committee operates under a written charter, which will be reviewed and evaluated at least annually.

Director Independence

Our Board of Directors has reviewed the materiality of any relationship that each of our directors has with us, either directly or indirectly. Based on this review, our Board of Directors has determined that Prof. Stone, Messrs. Shaked, Matheis and McGrath, and Ms. Karah are “independent directors” as defined in the Nasdaq Listing Rules and Rule 10A-3 promulgated under the Exchange Act.

Code of Ethics

On March 5, 2013, our Board of Directors adopted a Code of Business Conduct and Ethics and Insider Trading Policy. Our Code of Business Conduct and Ethics is available on our website at www.mydario.com under the Investors/Governance section. The information on our website is not incorporated by reference into this Report. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding amendment to, or waiver from, a provision of our Code of Ethics by posting such information on the website address specified above.

Limitation of Directors Liability and Indemnification

The Delaware General Corporation Law authorizes corporations to limit or eliminate, subject to certain conditions, the personal liability of directors to corporations and their stockholders for monetary damages for breach of their fiduciary duties. Our certificate of incorporation limits the liability of our directors to the fullest extent permitted by Delaware law.

We have director and officer liability insurance to cover liabilities our directors and officers may incur in connection with their services to us, including matters arising under the Securities Act. Our certificate of incorporation and bylaws also provide that we will indemnify our directors and officers who, by reason of the fact that he or she is one of our officers or directors, is involved in a legal proceeding of any nature.

We have entered into indemnification agreements with our directors and officers pursuant to which we agreed to indemnify each director and officer for any liability he or she may incur by reason of the fact that he or she serves as our director or officer, to the maximum extent permitted by law.

There is no pending litigation or proceeding involving any of our directors, officers, employees or agents in which indemnification will be required or permitted. We are not aware of any threatened litigation or proceeding that may result in a claim for such indemnification.

Item 11. Executive Compensation

The following table summarizes compensation of our named executive officers, as of December 31, 2020 and 2019.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)*	Bonus ($)	Stock Awards	Option Awards ($)**	Non-equity incentive plan compensation	Non-qualified incentive plan compensation	All Other Compensation ($)	Total ($)
Erez Raphael	2020	$ 284,062(1)	$ 251,313(2)	$ 2,484,049(3)	$			$ 130,482(4)	$ 3,149,906
(Chief Executive Officer)	2019	$ 249,094(1)	$ 361,164(2)	$ 660,819(3)	$			$ 111,120(4)	$ 1,382,197
Zvi Ben David	2020	$ 137,202(5)		$ 559,112(6)	$ 172,221(7)			$ 33,446(8)	$ 901,981
(Chief Financial Officer)	2019	$ 133,172(5)		$ 120,294(6)	$			$ 42,128(8)	$ 295,594
Dror Bacher	2020	$ 181,917(9)	$	$ 463,874(11)	$ 177,401 (12)			$ 66,712(13)	$ 889,905
(Chief Operating Officer)	2019	$ 153,759(9)	$ 28,882(10)	$ 67,929(11)	$			$ 66,796(13)	$ 317,366
Richard Anderson (President and General Manager of North America)	2020	$ 308,098(14)	100,000(15)	$ 163,433(16)	$ 479,160(17)			$ 16,328(18)	$ 1,067,019

* Certain compensation paid by the company is denominated in New Israeli Shekel (or the NIS). Such compensation is calculated for purposes of this table based on the annual average currency exchange for such period.

** Amount shown does not reflect dollar amount actually received. Instead, this amount reflects the aggregate grant date fair value of each stock option granted in the fiscal years ended December 31, 2020 and December 31, 2019, computed in accordance with the provisions of ASC 718 “Compensation-Stock Compensation,” or ASC 718. Assumptions used in accordance with ASC 718 are included in Note 9 to our consolidated financial statements included in this Annual Report.

(1) In accordance with his second amendment to the employment agreement with our company effective August 11, 2013, Mr. Raphael was entitled to a monthly salary of NIS 44,000, commencing April 1, 2016, his monthly salary was increased to NIS 80,000 (approximately $24,691 per month). On June 1, 2018, his monthly salary was increased to NIS 134,167 (approximately $41,410). During 2019 and 2020, Mr. Raphael agreed to a waiver of 45% and 36.4% of his cash salary according to our salary program (see further details in “Employment and Related Agreements” below).

(2) On June 2019, Mr. Raphael was paid a bonus of $110,006 for his performance during 2018 and on December 2019 Mr. Raphael was paid a bonus of $251,157 for the successful completion of the December 2019 Private Placement. On September 2020, Mr. Raphael was paid a bonus of $251,313 for the successful completion of the July 2020 private placement.

(3) On January 27, 2019, Mr. Raphael was granted 3,098 shares of our common stock under our 2012 Equity Incentive plan against waiver of cash salary for the period from January to March 2019. On July 9, 2019, Mr. Raphael was granted 10,749 shares of our common stock under our 2012 Equity Incentive plan against waiver of cash salary for the period from April to September 2019. On December 23, 2019, Mr. Raphael was granted 15,454 shares of our common stock under our 2012 Equity Incentive plan against waiver of cash salary for the period from October to December 2019. On April 29, 2019, Mr. Raphael was granted 20,379 shares of our common stock under our 2012 Equity Incentive Plan, and 4,472 shares of our common stock under our 2012 Equity Incentive Plan, as a bonus, in lieu of cash, for the 2018 achievements of the Company.

On January 28, 2020, Mr. Raphael was granted 15,602 shares of our common stock under our 2012 Equity Incentive plan against waiver of cash salary for the period from January to March 2020. On April 3, 2020, Mr. Raphael was granted 15,146 shares of our common stock under our 2012 Equity Incentive plan against waiver of cash salary for the period from April to June 2020. On July 20, 2020, Mr. Raphael was granted 15,593 shares of our common stock under our 2012 Equity Incentive plan against waiver of cash salary for the period from July to September 2020. On October 16, 2020, Mr. Raphael was granted 2,127 shares of our common stock under our 2012 Equity Incentive plan against waiver of cash salary for the period from October to December 2020, and 5,060 shares of our common stock under our 2012 Equity Incentive plan against an additional cash waiver during the period April – July 2020. On February 12, 2020, Mr. Raphael was granted 351,546 shares of our common stock under our 2012 Equity Incentive Plan.

(4) In addition to his salary, Mr. Raphael is entitled to receive a leased automobile and mobile phone during his employment as well as reimbursements for expenses accrued. These benefits, as well as other social benefits under Israeli law, are included as part of his "All Other Compensation."

(5) In accordance with his employment agreement with our company effective January 8, 2015, Mr. Ben David was initially entitled to a monthly salary and additional compensation (excluding social benefits under applicable Israeli law) of NIS 31,200 (approximately $9,630) for providing eighty percent of his working time to our company. Beginning on March 1, 2015, Mr. Ben David began working for us on a full-time basis pursuant to the terms of his employment agreement at which point Mr. Ben David's salary was increased to NIS 39,000 (approximately $12,037 per month, commencing April 1, 2016, his monthly salary was updated to NIS 60,000 (approximately $18,519), and commencing June 1, 2018, his monthly salary was updated to NIS 67,200 (approximately $20,741). During 2019 and 2020, Mr. Ben David agreed to a waiver of 42% of his cash salary according to our salary program (see further details in "Employment and Related Agreements" below).

(6) On January 27, 2019, Mr. Ben David was granted 1,447 shares of our common stock under our 2012 Equity Incentive plan against waiver of cash salary for the period from January to March 2019. On July 9, 2019, Mr. Ben David was granted 5,021 shares of our common stock under our 2012 Equity Incentive plan against waiver of cash salary for the period from April to September 2019. On December 23, 2019 Mr. Ben David was granted 7,218 shares of our common stock under our 2012 Equity Incentive plan against waiver of cash salary for the period from October to December 2019. On April 29, 2019, Mr. Ben David was granted 4,889 shares of our common stock under our 2012 Equity Incentive Plan, and 2,074 shares of our common stock under our 2012 Equity Incentive Plan, as a bonus, in lieu of cash, for the 2018 achievements of the Company.

On January 28, 2020, Mr. Ben David was granted 7,287 shares of our common stock under our 2012 Equity Incentive plan against waiver of cash salary for the period from January to March 2020. On April 3, 2020, Mr. Ben David was granted 7,074 shares of our common stock under our 2012 Equity Incentive plan against waiver of cash salary for the period from April to June 2020. On July 20, 2020, Mr. Ben David was granted 7,283 shares of our common stock under our 2012 Equity Incentive plan against waiver of cash salary for the period from July to September 2020. On October 16, 2020 Mr. Ben David was granted 4,235 shares of our common stock under our 2012 Equity Incentive plan against waiver of cash salary for the period from October to December 2020, and 2,006 shares of our common stock under our 2012 Equity Incentive plan against an additional cash waiver during the period of April through July 2020. On February 12, 2020, Mr. Ben David was granted 45,000 shares of our common stock under our 2012 Equity Incentive Plan. On September 9, 2020, Mr. Ben David was granted 10,000 shares of our common stock under our 2012 Equity Incentive Plan.

(7) On February 12, 2020, Mr. Ben David was granted 27,827 options to purchase shares of our common stock under our 2012 Equity Incentive Plan, at an exercise price of $7.736 per share.

(8) In addition to his salary, Mr. Ben David is entitled to receive a mobile phone during his employment as well as reimbursements for expenses accrued. These benefits, as well as other social benefits under Israeli law, are included as part of his "All Other Compensation."

(9) In accordance with his second amendment to the employment agreement with our company effective April 2016, Mr. Bacher was entitled to a monthly salary of NIS 48,000 (approximately $14,815 per month), commencing July 1, 2017, Mr. Dror was appointed as our Chief Operating Officer and his monthly salary was increased to NIS 55,000 (approximately $16,975 per month) and commencing June 1, 2018 his monthly salary was increased to NIS 61,490 (approximately $18,978 per month). During 2019 and 2020, Mr. Bacher agreed to a waiver of 26% and 10.6% of his cash salary respectively, according to our salary program (see further details in "Employment and Related Agreements" below).

(10) In June 2019, Mr. Bacher was paid a bonus of $28,882 for his performance during 2018.

(11) On January 27, 2019, Mr. Bacher was granted 918 shares of our common stock under our 2012 Equity Incentive plan against waiver of cash salary for the period from January to March 2019. On July 9, 2019, Mr. Bacher was granted 3,186 shares of our common stock under our 2012 Equity Incentive plan against waiver of cash salary for the period from April to September 2019. On December 23, 2019, Mr. Bacher was granted 2,633 shares of our common stock under our 2012 Equity Incentive plan against waiver of cash salary for the period from October to December 2019. On April 29, 2019, Mr. Bacher was granted 4,102 shares of our common stock under our 2012 Equity Incentive Plan, and 587 shares of our common stock under our 2012 Equity Incentive Plan, as a bonus, in lieu of cash, for the 2018 achievements of the Company.

On January 28, 2020, Mr. Bacher was granted 1,677 shares of our common stock under our 2012 Equity Incentive plan against waiver of cash salary for the period from January to March 2020. On April 3, 2020, Mr. Bacher was granted 1,628 shares of our common stock under our 2012 Equity Incentive plan against waiver of cash salary for the period from April to June 2020. On July 20, 2020, Mr. Bacher was granted 1,676 shares of our common stock under our 2012 Equity Incentive plan against waiver of cash salary for the period from July to September 2020. On October 16, 2020, Mr. Bacher was granted 974 shares of our common stock under our 2012 Equity Incentive plan against waiver of cash salary for the period from October to December 2020, and 3,772 shares of our common stock under our 2012 Equity Incentive plan against an additional cash waiver during the period from April through July 2020. On February 12, 2020, Mr. Bacher was granted 45,000 shares of our common stock under our 2012 Equity Incentive Plan. On September 9, 2020, Mr. Bacher was granted 10,000 shares of our common stock under our 2012 Equity Incentive Plan.

(12) On February 12, 2020, Mr. Bacher was granted 28,664 options to purchase shares of our common stock under our 2012 Equity Incentive Plan, at an exercise price of $7.736 per share.

(13) In addition to his salary, Mr. Bacher is entitled to receive a leased automobile and mobile phone during his employment as well as reimbursements for expenses accrued. These benefits, as well as other social benefits under Israeli law, are included as part of his “All Other Compensation.”

(14) In accordance with his employment agreement, effective in January 2020, Mr. Anderson was entitled to a monthly salary of $27,916.67.

(15) On September 2020, Mr. Anderson was paid a bonus of $100,000 for the successful completion of the July 2020 private placement.

(16) On October 16, 2020, Mr. Anderson was granted 5,182 shares of our common stock under our 2012 Equity Incentive plan against a cash salary waiver during the period from April through July 2020. On September 9, 2020, Mr. Anderson was granted 10,000 shares of our common stock under our 2012 Equity Incentive Plan.

(17) On January 30, 2020, Mr. Anderson was granted 90,000 options to purchase shares of our common stock as an inducement grant pursuant to Nasdaq Listing Rule 5635 (c)(4), at an exercise price of $8.41 per share.

(18) In addition to his salary, Mr. Anderson is entitled to participate in any and other benefit plans and programs that the Company may offer to its employees from time to time according to the terms of such plans and the Company’s practices and policies as well as reimbursements for expenses accrued. These benefits are included as part of his “All Other Compensation.”

All compensation awarded to our executive officers was independently reviewed by our Compensation Committee.

Employment and Related Agreements

Except as set forth below, we currently have no other written employment agreements with any of our officers and directors. The following is a description of our current executive employment agreements:

Erez Raphael, Chief Executive Officer and a Member of the Board of Directors – On August 30, 2013, LabStyle Innovation Ltd., our Israeli subsidiary, entered into an amendment to a Personal Employment Agreement with Mr. Raphael in connection with his August 2013 appointment as our President and Chief Executive Officer. Pursuant to the terms of his employment agreement as amended, Mr. Raphael is entitled to a monthly salary of NIS 134,167 (approximately $37,730 per month). During 2018 and 2019, Mr. Raphael agreed to a waiver of 45% of his cash salary according to our salary program pursuant to which Mr. Raphael received compensation shares of restricted common stock as consideration for cash salary waived.

On July 25, 2017, we, through our Israeli subsidiary, LabStyle Innovation Ltd., executed an Amended and Restated Employment Agreement with Mr. Raphael. Pursuant to the agreement, Mr. Raphael kept his monthly salary and shall be eligible for an annual bonus equal to up to 60% of his annual base salary. Mr. Raphael's employment agreement expires on December 31, 2020. In the event Mr. Raphael's employment agreement is terminated by us at will, by Mr. Raphael for good reason as provided thereby, or in conjunction with a change of control, Mr. Raphael shall be entitled to receive 24 months base salary and severance payment pursuant to applicable Israeli severance law, provided, however, that in the event such termination occurs during the final year of the term, or within the last 6 months of a renewal period of the term, Mr. Raphael shall be entitled to receive 12 months base salary and severance payment pursuant to applicable Israeli severance law. In the event the employment agreement is terminated by us for cause, Mr. Raphael will only be entitled to a severance pay under applicable Israeli severance law. Mr. Raphael's employment agreement also includes a one-year non-competition and non-solicitation provision, certain confidentiality covenants and assignment of any of his company-related inventions. Under the terms of the agreement, Mr. Raphael is entitled to certain expense reimbursements and other standard benefits, including vacation, sick leave, contributions to a manager's insurance policy and study fund and car and mobile phone allowances. On February 12, 2020, we extended the term of Mr. Raphael's employment to expire on December 31, 2022.

On January 27, 2019, the Compensation Committee of our Board of Directors approved the issuance to Mr. Raphael of 3,098 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $61,969 in salary otherwise payable to Mr. Raphael from January to March 2019.

On July 9, 2019, the Compensation Committee of our Board of Directors approved the issuance to Mr. Raphael of 10,749 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $128,972 of salary otherwise payable to Mr. Raphael from April to September 2019.

On December 23, 2019, the Compensation Committee of our Board of Directors approved the issuance to Mr. Raphael of 15,454 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $66,610 of salary otherwise payable to Mr. Raphael from October to December 2019.

On January 28, 2020, the Compensation Committee of our Board of Directors approved the issuance to Mr. Raphael of 15,602 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $67,247 of salary otherwise payable to Mr. Raphael from January to March 2020.

On April 3, 2020, the Compensation Committee of our Board of Directors approved the issuance to Mr. Raphael of 15,146 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $65,280 of salary otherwise payable to Mr. Raphael from April to June 2020.

On July 20, 2020, the Compensation Committee of our Board of Directors approved the issuance to Mr. Raphael of 15,593 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $67,208 of salary otherwise payable to Mr. Raphael from July to September 2020.

On October 16, 2020, the Compensation Committee of our Board of Directors approved the issuance to Mr. Raphael of 2,127 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $15,894 of salary otherwise payable to Mr. Raphael from October to December 2020, and 5,060 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $21,809 of salary otherwise payable to Mr. Raphael from April to July 2020.

Zvi Ben David, Chief Financial Officer, Treasurer and Secretary – On January 8, 2015, LabStyle Innovation Ltd., our Israeli subsidiary, entered into a Personal Employment Agreement with Mr. Ben David. Pursuant to his employment agreement, Mr. Ben David was initially entitled to a monthly salary and additional compensation (excluding social benefits under applicable Israeli law) of NIS 31,200 (approximately $8,774) for providing eighty percent of his working time to our company. Beginning on March 1, 2015, Mr. Ben David began working for us on a full-time basis pursuant to the terms of his employment agreement at which point Mr. Ben David's salary was increased to NIS 39,000 (approximately $10,967). Commencing April 1, 2016, Mr. Ben David's Salary was updated to NIS 60,000 (approximately $16,873) per month and commencing June 1, 2018, his monthly salary was updated to NIS 67,200 (approximately $18,898). During 2018 and 2019, Mr. Ben David agreed to a waiver of 39% and 42% respectively of his cash salary according to our salary program pursuant to which Mr. Ben David received compensation shares of restricted common stock as consideration for cash salary waived.

Mr. Ben David's employment agreement may be terminated by either party at will upon 90 days prior written notice or terminated by us for cause, as defined under the employment agreement. In the event the employment agreement is terminated by us at will, Mr. Ben David shall be entitled to receive 90 days of severance plus any required severance payment pursuant to applicable Israeli severance law. In the event the employment agreement is terminated by us for cause, Mr. Ben David will only be entitled to a severance pay under applicable Israeli severance law. The employment agreement also includes a twelve-month non-competition and non-solicitation provision, certain confidentiality covenants and assignment of any of his company-related inventions to the company. Under the terms of the employment agreement, Mr. Ben David is entitled to certain expense reimbursements and other standard benefits, including vacation, sick leave, contributions to a manager's insurance policy and study fund and mobile phone allowances.

On January 27, 2019, the Compensation Committee of our Board of Directors approved the issuance to Mr. Ben David of 1,447 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $28,944 of salary otherwise payable to Mr. Ben David from January to March 2019.

On July 9, 2019, the Compensation Committee of our Board of Directors approved the issuance to Mr. Ben David of 5,021 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $60,238 of salary otherwise payable to Mr. Ben David from April to September 2019.

On December 23, 2019, the Compensation Committee of our Board of Directors approved the issuance to Mr. Ben David of 7,218 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $31,111 of salary otherwise payable to Mr. Ben David from October to December 2019.

On January 28, 2020, the Compensation Committee of our Board of Directors approved the issuance to Mr. Ben David of 7,287 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $31,409 of salary otherwise payable to Mr. Ben David from January to March 2020.

On April 3, 2020, the Compensation Committee of our Board of Directors approved the issuance to Mr. Ben David of 7,074 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $30,490 of salary otherwise payable to Mr. Ben David from April to June 2020.

On July 20, 2020, the Compensation Committee of our Board of Directors approved the issuance to Mr. Ben David of 7,283 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $31,391 of salary otherwise payable to Mr. Ben David from July to September 2020.

On October 16, 2020, the Compensation Committee of our Board of Directors approved the issuance to Mr. Ben David of 4,235 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $31,638 of salary otherwise payable to Mr. Ben David from October to December 2020, and 2,006 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $8,645 of salary otherwise payable to Mr. Ben David from April to July 2020.

Dror Bacher, Chief Operating Officer – On August 30, 2013, LabStyle Innovation Ltd., our Israeli subsidiary, entered into an employment agreement with Mr. Bacher, pursuant to which Mr. Bacher receives an annual base salary of NIS 55,000 (approximately $15,467), effective as of July 2017, and commencing June 1, 2018 his monthly salary was increased to NIS 61,490 (approximately $17,292 per month). Pursuant to Mr. Bacher's existing personal employment agreement as amended, either Mr. Bacher or we may terminate his employment agreement upon four months' notice, provided, however, that in the event of a termination for cause, Mr. Bacher's employment may be terminated immediately. Mr. Bacher's employment agreement also includes a twelve (12) month non-competition and non-solicitation provision, certain confidentiality covenants and assignment of any of his company-related inventions. Under the terms of Mr. Bacher's employment agreement, Mr. Bacher is entitled to certain expense reimbursements and other standard benefits, including vacation, sick leave, life, and disability insurance and car and mobile phone allowances. In addition, in conjunction with his appointment as Chief Operating Officer, we issued Mr. Bacher 500 shares of common stock, and 500 options that will vest in 12 equal quarterly installments over a three-year period with an exercise price of $49.20 per share, all issued pursuant to the Registrant's Amended and Restated 2012 Equity Incentive Plan.

On January 27, 2019, the Compensation Committee of our Board of Directors approved the issuance to Mr. Bacher of 918 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $18,362 of salary otherwise payable to Mr. Bacher from January to March 2019.

On July 9, 2019, the Compensation Committee of our Board of Directors approved the issuance to Mr. Bacher of 3,186 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $38,215 of salary otherwise payable to Mr. Bacher from April to September 2019.

On December 23, 2019, the Compensation Committee of our Board of Directors approved the issuance to Mr. Bacher of 2,633 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $11,352 of salary otherwise payable to Mr. Bacher from October to December 2019.

On January 28, 2020, the Compensation Committee of our Board of Directors approved the issuance to Mr. Bacher of 1,677 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $7,228 of salary otherwise payable to Mr. Bacher from January to March 2020.

On April 3, 2020, the Compensation Committee of our Board of Directors approved the issuance to Mr. Bacher of 1,628 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $7,017 of salary otherwise payable to Mr. Bacher from April to June 2020.

On July 20, 2020, the Compensation Committee of our Board of Directors approved the issuance to Mr. Bacher of 1,676 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $7,224 of salary otherwise payable to Mr. Bacher from July to September 2020.

On October 16, 2020, the Compensation Committee of our Board of Directors approved the issuance to Mr. Bacher of 974 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $7,281 of salary otherwise payable to Mr. Bacher from October to December 2020, and 3,772 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $16,256 of salary otherwise payable to Mr. Bacher from April to July 2020.

Richard Anderson, President and General Manager of North America – On January 7, 2020, we appointed Mr. Anderson as our President and General Manager of North America. In connection with Mr. Anderson's appointment, the Company agreed to pay Mr. Anderson an annual base salary of $335,000. Mr. Anderson shall also be subject to a six-month non-competition and one-year non-solicitation provision, certain confidentiality covenants and assignment of any of his company-related inventions. Mr. Anderson will also be entitled to certain expense reimbursements and other standard benefits, including vacation and sick leave. In addition, Mr. Anderson will be entitled to receive an annual incentive bonus of up to $250,000, subject to certain milestones and performance targets. In addition, and in conjunction with his appointment as President and General Manager of North America, the Company agreed to issue Mr. Anderson a stock option to purchase up to 90,000 shares of common stock at an exercise price of $8.41 per share, subject to vesting. Mr. Anderson was also issued a stock option to purchase up to 90,000 shares of common stock at an exercise price of $8.41 per share, subject to vesting and the achievement of certain business revenue targets. In that regard, Mr. Anderson's option will vest as follows: (i) 22,500 shares shall vest following fiscal year 2020 if our business-to-business revenues reach or exceed $6 million in the aggregate, or a pro-rated amount equal to the percentage achievement of such target, assuming the Company's GAAP revenues in 2020 will reach at least $11 million in the aggregate; (ii) 22,500 shares shall vest following fiscal year 2021 if our business-to-business revenues reach or exceed $15 million in the aggregate, or a pro-rated amount equal to the percentage achievement of such target, assuming the Company's GAAP revenues in 2021 will reach at least $19.5 million in the aggregate; (iii) 22,500 shares shall vest following fiscal year 2022 if our business-to-business revenues reach or exceed $40 million in the aggregate, or a pro-rated amount equal to the percentage achievement of such target, assuming the Company's GAAP revenues in 2022 will reach at least $38 million in the aggregate; and (iv) 22,500 shares shall vest following fiscal year 2023 if our business-to-business revenues reach or exceed $80 million in the aggregate, or a pro-rated amount equal to the percentage achievement of such target, assuming the Company's GAAP revenues in 2023 will reach at least $62 million in the aggregate.

On October 16, 2020, the Compensation Committee of our Board of Directors approved the issuance to Mr. Anderson of 5,182 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of the waiver of $23,333 of salary otherwise payable to Mr. Anderson from April to July 2020.

Oded Cohen, General Manager of MSK – Effective February 1, 2021, Upright entered into an employment agreement with Mr. Cohen, pursuant to which Mr. Cohen will earn a monthly salary of NIS 63,000 and is eligible for an annual bonus equal to up to four times his monthly salary. The employment agreement is an at-will employment arrangement, with a four months' notice period, unless it is terminated for cause. In addition, Mr. Cohen will be entitled to severance payment pursuant to applicable Israeli severance law. In the event the employment agreement is terminated by us for cause, Mr. Cohen will only be entitled to a severance pay under applicable Israeli severance law. Mr. Cohen's employment agreement also includes a one-year non-competition and non-solicitation provision, certain confidentiality covenants and assignment of any of his company-related inventions. Under the terms of the employment agreement, Mr. Cohen is entitled to certain expense reimbursements and other standard benefits, including vacation, sick leave, contributions to a manager's insurance policy and study fund and car and mobile phone allowances. In addition, Mr. Cohen will be entitled to receive, subject to the approval of the Board of Directors, a restricted stock unit award to receive, subject to vesting, up to 73,660 shares of the Company's common stock and, subject to the meeting of certain milestones an additional restricted stock unit award to receive up to 73,660 shares of the Company's common stock on March 1, 2022, and subject to the meeting of certain milestones an additional restricted stock unit award to receive up to 73,660 shares of the Company's common stock on March 1, 2023. All the restricted stock units will be subject to a three-year vesting period.

Outstanding Equity Awards at December 31, 2020

Name	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable	Equity incentive plan awards: Number of securities underlying unexercised unearned options (#)	Option exercise price ($)	Option expiration date
Erez Raphael	101	-	-	$ 2,430	March 14, 2023
(Chief Executive Officer)	12	-	-	$ 5,400	June 5, 2023
	167	-	-	$ 4,806	August 28, 2023
	45	-	-	$ 3,330	January 6, 2024
	234	-	-	$ 1,764	July 6, 2024
	8,446	-	-	$ 115.20	September 3, 2021
	7,159	-	-	$ 64.04	January 30, 2023
Zvi Ben David	2,154	-	-	$ 115.20	September 3, 2021
(Chief Financial Officer, Secretary and Treasurer)	1,592	-	-	$ 64.04	January 30, 2023
	9,275	18,552(1)		$ 7.736	February 12, 2026
Dror Bacher	67	-	-	$ 3,330	January 6, 2024
(Chief Operating Officer)	67	-	-	$ 1,764	July 6, 2024
	1267	-	-	$ 115.20	September 3, 2021
	480	-	-	$ 140.40	December 17, 2021
	1,375	-	-	$ 64.04	January 30, 2023
	500	-	-	$ 49.20	July 25, 2023
	9,554	19,110(1)		$ 7.736	February 12, 2026
Richard Anderson	30,000	60,000		$ 8.41	January 30, 2026
(President and General Manager of North America)					
Total Option Shares	**72,495**	**97,662**	-	$ -	-

(1) Vests in 12 equal quarterly installments over a three-year period.

Non-Employee Director Remuneration Policy

In March 2013, our Board of Directors adopted the following non-employee director remuneration policy:

Cash Awards

Our non-employee directors (currently Messrs. Shaked, Matheis, McGrath, Prof. Stone and Ms. Karah) will receive the following cash payments for each fiscal year: (i) $25,000 per year, to be paid quarterly in arrears and (ii) $16,000 for Board committee service, to be paid quarterly in arrears.

Stock and Option Awards

On January 27, 2019, the Compensation Committee of our Board of Directors approved the issuance to each of Prof. Stone, Mr. Shaked, Mr. McGrath, and Ms. Karah of 513 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of $10,250 in fees otherwise payable to each of Prof. Stone, Mr. Shaked, Mr. McGrath, and Ms. Karah for the period from October 1, 2018, to December 31, 2018. The Compensation Committee of our Board of Directors also approved the issuance to each of Mr. Yalon Farhi, a former member of our Board of Directors, and Mr. Allen Kamer, a former member of our Board of Directors, of 313 shares of our common stock under the 2012 Equity Incentive Plan. Such shares were issued in lieu of $6,250 in fees otherwise payable to Mr. Farhi and Mr. Kamer for the period October 1, 2018, to December 31, 2018. In addition, the Compensation Committee of our Board of Directors approved the issuance to Mr. Glen Moller, a former member of our Board of Directors, of 262 shares of our common stock under the 2012 Equity Incentive Plan. Such shares were issued in lieu of $5,231 in fees otherwise payable to Mr. Moller for the period October 16, 2018, to December 31, 2018.

On April 29, 2019, the Compensation Committee of our Board of Directors approved a grant of 1,475 options to Mr. Moller. These options have an exercise price of $15.40 per share. One third of the options will become fully vested and exercisable on the first anniversary elapsed from the grant date, and the balance will vest in eight equal quarterly installments following the first anniversary of the grant date, subject to Mr. Moller's continued membership on the Company's Board of Directors. In January 2020 Mr. Moller resigned from the Board of Directors and his options were forfeited.

On April 29, 2019, the Compensation Committee of our Board of Directors approved the following issuances under our 2012 Equity Incentive Plan: (i) 15,038 shares of our common stock to Mr. Shaked; (ii) 1,255 shares of our common stock to Ms. Karah; (iii) 753 shares of our common stock to Mr. Farhi; (iv) 753 shares of our common stock to Mr. Kamer; (v) 862 shares of our common stock to Prof. Stone; and (vi) 1,649 shares of our common stock to Mr. McGrath.

On July 9, 2019, the Compensation Committee of our Board of Directors approved the issuance to each of Prof. Stone, Mr. Shaked, Mr. McGrath, and Ms. Karah of 854 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of $10,250 in fees otherwise payable to each of Prof. Stone, Mr. Shaked, Mr. McGrath, and Ms. Karah for the period from January 1, 2019, to March 31, 2019. The Compensation Committee of our Board of Directors also approved the issuance to each of Prof. Stone, Mr. Shaked, Mr. McGrath, and Ms. Karah of 854 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of $10,250 in fees otherwise payable to each of Prof. Stone, Mr. Shaked, Mr. McGrath, and Ms. Karah for the period from April 1, 2019, to June 30, 2019. The Compensation Committee of our Board of Directors also approved the issuance to each of Mr. Farhi, Mr. Kamer and Mr. Moller of 521 shares of our common stock under the 2012 Equity Incentive Plan. Such shares were issued in lieu of $6,250 in fees otherwise payable to each of Mr. Farhi, Mr. Kamer and Mr. Moller for the period January 1, 2019, to March 31, 2019. In addition, the Compensation Committee of our Board of Directors approved the issuance to each of Mr. Farhi, Mr. Kamer and Mr. Moller of 521 shares of our common stock under the 2012 Equity Incentive Plan. Such shares were issued in lieu of $6,250 in fees otherwise payable to each of Mr. Farhi, Mr. Kamer and Mr. Moller for the period April 1, 2019, to June 30, 2019.

On December 23, 2019, the Compensation Committee of our Board of Directors approved the issuance to each of Prof. Stone, Mr. Shaked, Mr. McGrath, and Ms. Karah of 2,378 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of $10,250 in fees otherwise payable to each of Prof. Stone, Mr. Shaked, Mr. McGrath, and Ms. Karah for the period from July 1, 2019, to September 30, 2019. The Compensation Committee of our Board of Directors also approved the issuance to each of Mr. Farhi and Mr. Kamer of 1,450 shares of our common stock under the 2012 Equity Incentive Plan. Such shares were issued in lieu of $6,250 in fees otherwise payable to Mr. Farhi and Mr. Kamer for the period July 1, 2019, to September 30, 2019.

On January 28, 2020, the Compensation Committee of our Board of Directors approved the issuance to each of Prof. Stone, Mr. Shaked, Mr. McGrath, and Ms. Karah of 2,378 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of $10,250 in fees otherwise payable to each of Prof. Stone, Mr. Shaked, Mr. McGrath, and Ms. Karah for the period from October 1, 2019, to December 31, 2019. The Compensation Committee of our Board of Directors also approved the issuance to each of Mr. Farhi, Mr. Moller and Mr. Kamer of 1,450 shares of our common stock under the 2012 Equity Incentive Plan. Such shares were issued in lieu of $6,250 in fees otherwise payable to each of Mr. Farhi, Mr. Moller and Mr. Kamer for the period October 1, 2019, to December 31, 2019. In addition, the Compensation Committee of our Board of Directors approved the issuance to Mr. Moller 396 shares of our common stock under the 2012 Equity Incentive Plan. Such shares were issued to Mr. Moller upon his resignation from the Board of Directors.

On February 12, 2020, the Compensation Committee of our Board of Directors approved the following issuances, each was done under our 2012 Equity Incentive Plan: (i) 60,000 shares of our common stock to Mr. Shaked; (ii) 30,000 shares of our common stock to Ms. Karah; (iii) 7,000 shares of our common stock to Mr. Farhi; (iv) 7,000 shares of our common stock to Mr. Kamer; (v) 13,000 shares of our common stock to Prof. Stone; and (vi) 50,000 shares of our common stock to Mr. McGrath.

On April 3, 2020, the Compensation Committee of our Board of Directors approved the issuance to each of Prof. Stone, Mr. Shaked, Mr. McGrath, and Ms. Karah of 2,378 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of $10,250 in fees otherwise payable to each of Prof. Stone, Mr. Shaked, Mr. McGrath, and Ms. Karah for the period from January 1, 2020, to March 31, 2020. The Compensation Committee of our Board of Directors also approved the issuance to each of Mr. Farhi and Mr. Kamer of 1,450 shares of our common stock under the 2012 Equity Incentive Plan. Such shares were issued in lieu of $6,250 in fees otherwise payable to Mr. Farhi and Mr. Kamer for the period January 1, 2020, to March 31, 2020. In addition, the Compensation Committee of our Board of Directors approved the issuance to Mr. Stern 493 shares of our common stock under the 2012 Equity Incentive Plan. Such shares were issued in lieu of $2,129 in fees otherwise payable to Mr. Stern for March 2020. In addition, the Compensation Committee of our Board of Directors approved the issuance to Mr. Farhi 4,638 shares of our common stock under the 2012 Equity Incentive Plan. Such shares were issued to Mr. Farhi upon his voluntary resignation from the Board of Directors in April 2020.

On July 20, 2020, the Compensation Committee of our Board of Directors approved the issuance to each of Prof. Stone, Mr. Shaked, Mr. McGrath, and Ms. Karah of 2,378 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of $10,250 in fees otherwise payable to each of Prof. Stone, Mr. Shaked, Mr. McGrath, and Ms. Karah for the period from April 1, 2020, to June 30, 2020. The Compensation Committee of our Board of Directors also approved the issuance to each of Mr. Stern and Mr. Kamer of 1,450 shares of our common stock under the 2012 Equity Incentive Plan. Such shares were issued in lieu of $6,250 in fees otherwise payable to Mr. Farhi and Mr. Kamer for the period April 1, 2020, to June 30, 2020.

On August 18, 2020, the Compensation Committee of our Board of Directors approved the issuance to Mr. Matheis 15,000 shares of our common stock under our 2012 Equity Incentive Plan, and the grant of 20,000 options. These options have an exercise price of $18.68 per share. One third of the options will become fully vested and exercisable on the first anniversary of the grant date, and the balance will vest in eight equal quarterly installments following the first anniversary of the grant date, subject to Mr. Matheis's continued membership on the Company's Board of Directors.

On October 9, 2020, the Compensation Committee of our Board of Directors approved the issuance to Mr. Kamer of 10,000 shares of our common stock under the 2012 Equity Incentive Plan. Such shares were issued to Mr. Kamer upon his withdrawal from the Board of Directors in October 2020.

On October 16, 2020, the Compensation Committee of our Board of Directors approved the issuance to Ms. Karah of 1,372 shares of our common stock under our 2012 Equity Incentive Plan. Such shares were issued in lieu of $10,250 in fees otherwise payable to Ms. Karah for the period from July 1, 2020, to September 30, 2020.

On April 3, 2020, the Audit and Compensation Committees of the Board of Directors approved the monthly grant of 1,500 shares of the Company's Common Stock, to be granted monthly over a 12 month period pursuant to a certain consulting agreement with said service providers. During the fiscal year ended December 31, 2020, a total of 5,691 shares of the Company's common stock were issued under the said approval to Mr. Adam Stern, a member of our Board.

Compensation Committee Review

The Compensation Committee shall, if it deems necessary or prudent in its discretion, reevaluate and approve in January of each such year (or in any event prior to the first board meeting of such fiscal year) the cash and equity awards (amount and manner or method of payment) to be made to non-employee directors for such fiscal year. In making this determination, the Compensation Committee shall utilize such market standard metrics as it deems appropriate, including, without limitation, an analysis of cash compensation paid to independent directors of our peer group.

The Compensation Committee shall also have the power and discretion to determine in the future whether non-employee directors should receive annual or other grants of options to purchase shares of common stock or other equity incentive awards in such amounts and pursuant to such policies as the Compensation Committee may determine utilizing such market standard metrics as it deems appropriate, including, without limitation, an analysis of equity awards granted to independent directors of our peer group.

Participation of Employee Directors; New Directors

Unless separately and specifically approved by the Compensation Committee in its discretion, no employee director of our company shall be entitled to receive any remuneration for service as a director (other than expense reimbursement as per prevailing policy).

New directors joining our Board of Directors shall be entitled to a pro-rated portion (based on months to be served in the fiscal year in which they join) of cash and stock option or other equity incentive awards (if applicable) for the applicable fiscal year at the time they join the board.

Summary Director Compensation Table

The following table summarizes the annual compensation paid to our non-employee directors for the fiscal year ended December 31, 2020:

Name and Principal Position	Year	Fees Paid or Earned in Cash ($)	Stock Awards	Option Awards ($)*	Non-equity incentive plan compensation	Non-qualified deferred compensation earnings	All other compensation ($)	Total ($)
Dennis McGrath	2020	$ 20,500-	$ 346,135(1)	$ (2)	$ -$	-$	-$	366,635
Prof. Richard B. Stone	2020	$ 20,500-	$ 115,602(3)	$ (4)	$ -$	-$	-$	136,102
Dennis Matheis	2020	$ 12,500-	$ 200,700(5)	$ 251,280 (6)	$ -$	-$	-$	464,480
Hila Karah	2020	$ 10,250-	$ 234,584(7)	$ -(8)	$ -$	-$	-$	244,834
Allen Kamer[19]	2020	$ 6,250-	$ 159,914(9)	$ (10)	$ -$	-$	-$	166,164
Yoav Shaked	2020	$ 20,500-	$ 408,441(11)	$ (12)	$ -$	-$	-$	428,941
Adam Stern	2020	$ 12,500-	$ 9,084(13)	$ (14)	$	$	$	21,584
Yalon Farhi [20]	2020	$ --	$ 74,871(15)	$ (16)	$	$	$	74,871
Yadin Shemmer [21]	2020	$ 37,500-	$ -(17)	$ 416,160(18)	$	$	$	453,660
Glen Moller [22]	2020	$ -	$ 10,729-	$	$	$	$	10,729

* Amount shown does not reflect dollar amount actually received. Instead, this amount reflects the aggregate grant date fair value of each stock option granted in the fiscal year ended December 31, 2020, computed in accordance with the provisions of ASC 718. Assumptions used in accordance with ASC 718 are included in Note 9 to our consolidated financial statements included in this Annual Report.

(1) 67,787 stock awards are outstanding as of December 31, 2020.

(2) 1,659 option awards are outstanding as of December 31, 2020.

(3) 29,999 stock awards are outstanding as of December 31, 2020.

(4) 1,645 option awards are outstanding as of December 31, 2020.

(5) 15,000 stock awards are outstanding as of December 31, 2020.

(6) 20,000 option awards are outstanding as of December 31, 2020.

(7) 48,604 stock awards are outstanding as of December 31, 2020.

(8) 1,561 option awards are outstanding as of December 31, 2020.

(9) 27,464 stock awards are outstanding as of December 31, 2020.

(10) No option awards are outstanding as of December 31, 2020.

(11) 87,287 stock awards are outstanding as of December 31, 2020.

(12) No option awards are outstanding as of December 31, 2020.

(13) 87,287 stock awards are outstanding as of December 31, 2020.

(14) No option awards are outstanding as of December 31, 2020.

(15) No stock awards are outstanding as of December 31, 2020.

(16) No option stock awards are outstanding as of December 31, 2020.

(17) No stock awards are outstanding as of December 31, 2020.

(18) 90,000 option awards are outstanding as of December 31, 2020.

(19) Mr. Kamer was not re-nominated to serve on the Board at the 2020 Annual Stockholder's Meeting.

(20) On April 7, 2020, Mr. Farhi resigned from the Board.

(21) Mr. Shemmer was not re-nominated to serve on the Board at the 2020 Annual Stockholder's Meeting.

(22) On January 22, 2020, Mr. Moller resigned from the Board.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth information regarding the beneficial ownership of our common stock as of March 13, 2020 by:

- each person known by us to be the beneficial owner of more than 5% of our outstanding shares of common stock;
- each of our named executive officers and directors; and
- all our executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the securities. Except as otherwise indicated, each person or entity named in the table has sole voting and investment power with respect to all shares of our capital shown as beneficially owned, subject to applicable community property laws.

In computing the number and percentage of shares beneficially owned by a person, shares that may be acquired by such person within 60 days of the date of this Annual Report are counted as outstanding, while these shares are not counted as outstanding for computing the percentage ownership of any other person. Unless otherwise indicated, the address of each person listed below is c/o DarioHealth Corp., 142 W. 57th St., 8th Floor, New York, New York 10019.

Name of Beneficial Owner	Shares of Common Beneficially Stock Owned	Percent of Common Stock Beneficially Owned [1]
Officers and Directors		
Erez Raphael [2]	619,238	4.1%
Zvi Ben David [3]	162,793	1.1%
Dror Bacher [4]	118,066	*%
Richard Anderson [5]	67,958	*%
Oded Cohen [6]	383,243	2.5%
Dennis M. McGrath [7]	71,914	*%
Prof. Richard B. Stone [8]	40,029	*%
Hila Karah [9]	52,383	*%
Yoav Shaked [10]	93,970	*%
Adam Stern[11]	528,281	3.4%
Dennis Mathies [12]	66,469	*%
All Executive Officers and Directors as a group (11 persons)**	**2,204,344**	**14.3%**
5% Stockholders		
Nantahala Capital Partners SI, LP[13]	1,612,157	9.9%
Nantahala Capital Management, LLC[14]	1,582,037	9.9%

* less than 1%.

(1) Percentage ownership is based on 15,273,389 shares of our common stock outstanding as of March 5, 2020 and, for each person or entity listed above, warrants or options to purchase shares of our common stock which exercisable within 60 days of the such date.

(2) Includes 16,164 vested options to purchase common stock and 34,430 vested restricted shares. Also includes 37,876 shares of our common stock, held by Dicilyon Consulting and Investment Ltd. Erez Raphael is the natural person with voting and dispositive power over our securities held by Dicilyon Consulting and Investment Ltd. The address of Dicilyon Consulting and Investment Ltd. is 10 Nataf St., Ramat Hasharon 4704063, Israel.

(3) Includes 13,022 vested options to purchase common stock and 9,269 vested restricted shares. Excludes 18,551 options which are not vested. Includes 1,786 shares owned by his spouse, for which Mr. Ben David disclaims beneficial ownership except to the extent of his pecuniary interest therein.

(4) Includes 13,311 vested options to purchase common stock and 8,382 vested restricted shares. Excludes 19,109 options which are not vested.

(5) Includes 45,138 vested options to purchase common stock and 7,638 vested restricted shares. Excludes 91,376 options which are not vested.

(6) Includes 6,139 vested restricted shares.

(7) Includes 1,659 vested options to purchase common stock and 2,468 vested restricted shares.

(8) Includes 1,645 vested options to purchase common stock and 1,667 vested restricted shares.

(9) Includes 1,561 vested options to purchase common stock and 1,679 vested restricted shares.

(10) Includes 1,385 vested restricted shares. Includes 1,667 shares, and 1,334 warrants owned by his spouse, for which Mr. Shaked disclaims beneficial ownership except to the extent of his pecuniary interest therein.

(11) Includes 3,655 vested restricted shares and 300 Series A Preferred Shares convertible into 74,100 shares of common stock. Includes warrants exercisable into 409,535 shares of common stock, subject to a contractual beneficial ownership limitation of 4.99%.

(12) Includes 1,469 vested restricted shares. Excludes 20,000 options which have not vested.

(13) Based solely on information contained in Form S-3 filed with the SEC on September 8, 2020 and data provided by the holder Includes warrants to purchase 82,677 shares of common stock, pre-funded warrants to purchase 125,102 shares of common stock issued in May, 2019, preferred shares convertible into 652,327 shares of common stock, and additional 150,926 pre-funded warrants issued on July 21, 2020, subject to a contractual beneficial ownership limitation of 9.9% and excludes 579,275 pre-funded warrants issued on July 31, 2020.

(14) Based solely on information contained in Form 13G/A filed with the SEC on February 16, 2021, and data provided by the holder. Includes warrants to purchase 150,004 shares of common stock, 358,779 pre-funded warrants to purchase common stock issued in May 2019 and preferred shares convertible into 198,002 shares of common stock, subject to a contractual beneficial ownership limitation of 9.9% and excludes preferred shares convertible into 1,086,398 shares of common stock and 824,689 pre-funded warrants issued on July 31, 2020.

Item 13. Certain Relationships and Related Party Transactions

Executive Officers and Directors

We have entered into employment and consulting agreements and granted stock awards to our executive officers and directors as more fully described in “Executive Compensation” above.

Executive Officers and Directors

We have entered into employment agreements and granted stock awards to our executive officers as more fully described in “Executive Compensation” above.

Statement of Policy

All transactions (if any) between us and our officers, directors or five percent stockholders, and respective affiliates will be on terms no less favorable than could be obtained from unaffiliated third parties and will be approved by a majority of our independent directors who do not have an interest in the transactions and who had access, at our expense, to our legal counsel or independent legal counsel.

On April 3, 2020, we entered into a financial advisory agreement with Aegis Capital Corp., pursuant to which we agreed to pay Aegis Capital Corp. (“Aegis”) certain a fee of up to 3% of any proceeds from sales derived by us through commercial transactions entered into with parties introduced by Aegis. In addition, on April 3, 2020, we entered into a Sales Fee Agreement with Aegis, pursuant to which we agreed to pay Aegis a fee of up 4.5% of consideration we may receive in a business development transaction (including, any joint-venture, partnership, strategic collaboration or investment, licensing transaction, co-promotion or distribution agreement or other profit or revenue sharing, or similar business arrangement) from parties introduced by Aegis. To date, we have not paid Aegis any fees as a result of these agreements. Adam Stern, a member of our Board, has an interest, and will receive fees due to, Aegis.

To the best of our knowledge, other than as set forth above, there were no material transactions, or series of similar transactions, or any currently proposed transactions, or series of similar transactions, to which we were or are to be a party, in which the amount involved exceeds the lesser of $120,000 or 1% of the average of our total assets at year-end for the last two completed fiscal years, and in which any director or executive officer, or any security holder who is known by us to own of record or beneficially more than 5% of any class of our common stock, or any member of the immediate family of any of the foregoing persons, has an interest (other than compensation to our officers and directors in the ordinary course of business).

Item 14. Principal Accounting Fees and Services

The following table sets forth fees billed to us by Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, our independent registered public accounting firm, during the fiscal years ended December 31, 2020 and December 31, 2019 for: (i) services rendered for the audit of our annual financial statements and the review of our quarterly financial statements; (ii) services by our independent registered public accounting firms that are reasonably related to the performance of the audit or review of our financial statements and that are not reported as audit fees; (iii) services rendered in connection with tax compliance, tax advice and tax planning; and (iv) all other fees for services rendered.

	December 31, 2020	December 31, 2019
Audit Fees	$ 111,000	$ 96,000
Audited Related Fees	$ -	$ -
Tax Fees (1)	$ 15,000	$ 9,000
All Other Fees (2)	$ 43,500	$ 44,000
Total	$ 169,500	$ 149,000

(1) Consists of fees relating to our tax compliance and tax planning.

(2) Consists of fees relating to our private placements.

Audit Committee Policies

The Audit Committee of our Board of Directors is solely responsible for the approval in advance of all audit and permitted non-audit services to be provided by the independent auditors (including the fees and other terms thereof), subject to the de minimus exceptions for non-audit services provided by Section 10A(i)(1)(B) of the Exchange Act, which services are subsequently approved by the Board of Directors prior to the completion of the audit. None of the fees listed above are for services rendered pursuant to such de minimus exceptions.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

The following exhibits are filed with this Annual Report.

Exhibit No.	Description
3.1	Composite copy of Certificate of Incorporation, as amended (1)
3.2	Bylaws (2)
3.3	Amendment No. 1 to the Company's Bylaws (3)
3.4	Certificate of Elimination of Preferences, Rights and Limitations of Series D Convertible Preferred Stock of the Company (4)
3.5	Certificate of Designation of Preferences, Rights and Limitations of Series A Convertible Preferred Stock of the Company (5)
3.6	Certificate of Designation of Preferences, Rights and Limitations of Series A-1 Convertible Preferred Stock of the Company (5)
3.7	Certificate of Designation of Preferences, Rights and Limitations of Series A-2 Convertible Preferred Stock of the Company (6)
3.8	Certificate of Designation of Preferences, Rights and Limitations of Series A-3 Convertible Preferred Stock of the Company (6)
3.9	Certificate of Designation of Preferences, Rights and Limitations of Series A-4 Convertible Preferred Stock of the Company (6)
4.1	Warrant Agent Agreement, dated as of March 8, 2016, between LabStyle Innovations Corp. and VStock Transfer, LLC (7)
4.2	Form of Representatives' Warrant (7)
4.3	Form of Warrant (8)
4.4	Form of Pre-Funded Warrant (9)
4.5	Amendment No. 1 To Pre-Funded Warrant (10)
4.6	Description of Securities (1)
4.7	Form of Placement Agent Warrant (1)
4.8	Form of Warrant Exchange Agreement (17)
10.1	Employment Agreement, dated October 11, 2012, between LabStyle Israel and Erez Raphael+ (11)
10.2	Amendment to Employment Agreement, dated April 1, 2013, between LabStyle Israel and Erez Raphael+ (11)
10.3	Amendment to Employment Agreement, dated August 30, 2013, between LabStyle Israel and Erez Raphael+ (11)
10.4	Personal Employment Agreement, dated January 8, 2015, between the Company and Zvi Ben David+ (12)
10.5	Amended and Restated 2012 Equity Incentive Plan of the Company+(13)
10.6	Amendment to the Amended and Restated 2012 Equity Incentive Plan of the Company+(14)
10.7	2020 Equity Incentive Plan of the Company+(16)
10.8	Amended and Restated Employment Agreement, dated as of July 25, 2017, between Erez Raphael and LabStyle Innovation Ltd. +(15)
10.9	Employment Agreement, dated as of September 22, 2013, and as amended on August 1, 2014, April 27, 2015 and May 1, 2016, between Dror Bacher and Labstyle Innovation Ltd. +(15)
10.10	Employment Agreement, effective as of February 1, 2021, between Oded Cohen and Upright Technologies Ltd. + *
10.11	Form of Subscription Agreement for Series A, Series A-1, Series A-2, Series A-3 and Series A-4 Preferred Stock (1)
10.12	Form of Registration Rights Agreement for Series A, Series A-1, Series A-2, Series A-3 and Series A-4 Preferred Stock (1)
10.13	Placement Agency Agreement by and between DarioHealth Corp. and Aegis Capital Corp. dated October 22, 2019 (1)
10.14	Amendment No. 1 to Amended and Restated Employment Agreement, dated as of February 12, 2020, between Erez Raphael and LabStyle Innovation Ltd. + (1)

10.15	Stock Option Agreement between DarioHealth Corp. and Richard Anderson (1)
10.16	Conditional Stock Option Agreement between DarioHealth Corp. and Richard Anderson (1)
10.17	Representative Form of Indemnification Agreements between DarioHealth Corp. and each of its directors and officers+ (1)
10.18	January 2020 Form of Securities Purchase Agreement (18)
10.19	January 2020 Form of Registration Rights Agreement (18)
10.20	Share Purchase Agreement by and among DarioHealth Corp., LabStyle Innovation Ltd., Upright Technologies Ltd., Vertex C (C.I.) Fund L.P., as holder representative and certain holders of Upright's outstanding securities, dated January 26, 2021.* ^
21.1	List of Subsidiaries of the Company*
23.1	Consent of Kost Forer Gabbay and Kaiserer*
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934.*
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934.*
32.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350.**
101	Interactive Data File (XBRL)*
+	Management contract or compensatory plan or arrangement
*	Filed herewith
**	Furnished herewith

(1) Incorporated by reference to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 17, 2020.
(2) Incorporated by reference to the Company's Registration Statement on Form S-1, filed with the Securities and Exchange Commission on January 16, 2013.
(3) Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 29, 2018.
(4) Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 15, 2019.
(5) Incorporated by reference to the Company's Current Report on Form 8-K/A filed with the Securities and Exchange Commission on December 3, 2019.
(6) Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 6, 2019.
(7) Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 9, 2016.
(8) Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 18, 2018.
(9) Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 22, 2019.
(10) Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 9, 2019.
(11) Incorporated by reference to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on September 6, 2013.
(12) Incorporated by reference to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on January 9, 2015.
(13) Incorporated by reference to the Company's Definitive Proxy Statement filed with the Securities and Exchange Commission on October 19, 2016.
(14) Incorporated by reference to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on November 6, 2019.
(15) Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 26, 2017.
(16) Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 14, 2020.

(17) Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 11, 2020.

(18) Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 28, 2021.

^ Certain identified information in the exhibit has been excluded from the exhibit because it is both (i) not material and (ii) would likely cause competitive harm to DarioHealth Corp. if publicly disclosed

Item 16. Form 10-K Summary.

None.

SIGNATURES

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

Date: March 8, 2021

DARIOHEALTH CORP.

By: /s/ Erez Raphael
Name: Erez Raphael
Title: Chief Executive Officer

By: /s/ Zvi Ben David
Name: Zvi Ben David
Title: Chief Financial Officer, Secretary and Treasurer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Person	Capacity	Date
/s/ Erez Raphael Erez Raphael	Chief Executive Officer and Director (Principal Executive Officer)	March 8, 2021
/s/ Zvi Ben David Zvi Ben David	Chief Financial Officer, Secretary and Treasurer (Principal Financial and Accounting Officer)	March 8, 2021
/s/ Yoav Shaked Yoav Shaked	Chairman of the Board	March 8, 2021
/s/ Dennis Matheis Dennis Matheis	Director	March 8, 2021
/s/ Hila Karah Hila Karah	Director	March 8, 2021
/s/ Dennis M. McGrath Dennis M. McGrath	Director	March 8, 2021
/s/ Adam Stern Adam Stern	Director	March 8, 2021
/s/ Richard B. Stone Richard B. Stone	Director	March 8, 2021

DARIOHEALTH CORP. AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020

INDEX

- - - - - - - - - - - - - - -

Kost Forer Gabbay & Kasierer
144 Menachem Begin Road, Building A,
Tel-Aviv 6492102, Israel

Tel: +972-3-6232525
Fax: +972-3-5622555
ey.com

Building a better working world

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of DarioHealth Corp.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of DarioHealth Corp. and its subsidiary (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of comprehensive loss, changes in stockholders' equity and cash flows for each of the two years in the period ended December 31, 2020, 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 at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's 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 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 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 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 financial statements. We believe that our audits provide a reasonable basis for our opinion.

Kost Forer Gabbay & Kasierer
144 Menachem Begin Road, Building A,
Tel-Aviv 6492102, Israel

Tel: +972-3-6232525
Fax: +972-3-5622555
ey.com

Critical Audit Matters

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 (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) 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.

Description of the Matter

Revenue Recognition

As discussed in Note 2 to the consolidated financial statements, a significant portion of the Company's revenue is derived from the offering of a membership package which contains multiple goods and services that are accounted for as separate performance obligations. Such agreements require the Company to allocate the transaction price to the separate performance obligations based on their relative standalone selling price. The Company does not offer the services included in the membership package on a standalone basis, and estimates the standalone selling price of the performance obligations based on, among others, comparable companies' offerings, customer type and price lists, pricing practices, government backed reimbursement programs, and market standard prices.

Auditing the Company's estimates of the standalone selling prices for the performance obligations included in the membership package was challenging and required complex auditor judgment due to the significant judgment required by management in determining the relevant comparable data used, the extent of required adjustments to the data, the effects of market conditions and customer demographics.

How We Addressed the Matter in Our Audit

To test management’s estimate of standalone selling prices our audit procedures included, among others, understanding the methodology applied and testing the accuracy and completeness of the underlying data used in the Company’s estimate. We obtained and evaluated management’s analysis of comparable companies and services by assessing the comparability of the comparable companies, reviewing the list of the Company’s services and prices and comparing that list with the services and prices of comparable companies. We analyzed the government backed reimbursement programs and market standards used in the Company's assessment, including the review of the aforementioned programs and their relation to the Company’s services. We also performed inquiry of key personnel and inspected supporting documentation to evaluate the adjustments made to the comparable data, including effects of market conditions and customer demographics.

/s/ KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

We have served as the Company’s auditor since 2012.
Tel-Aviv, Israel
March 8, 2021

DARIOHEALTH CORP. AND ITS SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
U.S. dollars in thousands

	December 31,	
	2020	**2019**
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 28,590	$ 20,395
Short-term restricted bank deposits	187	191
Trade receivables	124	672
Inventories	2,293	1,414
Other accounts receivable and prepaid expenses	2,934	267
Total current assets	34,128	22,939
NON-CURRENT ASSETS:		
Deposits	20	17
Operation lease right of use assets	498	765
Long-term assets	185	200
Property and equipment, net	576	648
Total non-current assets	1,279	1,630
Total assets	$ 35,407	$ 24,569

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

DARIOHEALTH CORP. AND ITS SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
U.S. dollars in thousands (except stock and stock data)

	December 31,	
	2020	**2019**
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	$ 2,480	$ 1,656
Deferred revenues	1,224	1,223
Operating lease liabilities	310	317
Other accounts payable and accrued expenses	3,020	2,024
Total current liabilities	7,034	5,220
OPERATING LEASE LIABILITIES	222	455
STOCKHOLDERS' EQUITY		
Common Stock of $0.0001 par value - Authorized: 160,000,000 shares at December 31, 2020 and 2019; Issued and Outstanding: 8,119,493 and 2,235,649 shares at December 31, 2020 and 2019, respectively	*) -	*) -
Preferred Stock of $0.0001 par value - Authorized: 5,000,000 shares at December 31, 2020 and 2019; Issued and Outstanding: 15,823 and 21,375 shares at December 31, 2020 and 2019, respectively	*) -	*) -
Additional paid-in capital	171,399	129,039
Accumulated deficit	(143,248)	(110,145)
Total stockholders' equity	28,151	18,894
Total liabilities and stockholders' equity	$ 35,407	$ 24,569

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

*) Represents an amount lower than $1.

DARIOHEALTH CORP. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
U.S. dollars in thousands (except stock and stock data)

	Year ended December 31,	
	2020	**2019**
Revenues	$ 7,576	$ 7,559
Cost of revenues	5,063	4,962
Gross profit	2,513	2,597
Operating expenses:		
Research and development	$ 4,433	$ 3,692
Sales and marketing	15,227	11,127
General and administrative	12,756	5,483
Total operating expenses	32,416	20,302
Operating loss	29,903	17,705
Total financial (income) expenses, net	(458)	31
Net loss	$ 29,445	$ 17,736
Deemed dividend	3,658	3,155
Net loss attributable to holders of Common Stock	$ 33,103	$ 20,891
Net loss per share:		
Basic and diluted loss per share	$ 4.01	$ 8.00
Weighted average number of Common Stock used in computing basic and diluted net loss per share	5,963,305	2,266,135

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

DARIOHEALTH CORP. AND ITS SUBSIDIARY

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
U.S. dollars in thousands (except stock and stock data)

	Ordinary shares		Preferred shares		Additional paid-in capital	Accumulated deficit	Total shareholders' equity
	Number	Amount	Number	Amount			
Balance as of January 1, 2019	1,831,746	$ *) -	-	$ -	$ 98,179	$ (89,254)	$ 8,925
Payment for executives and directors under stock for salary program	104,363	*) -	-	-	1,011	-	1,011
Exercise of options	406	*) -			*) -	-	*) -
Issuance of common stock to directors and employees	51,613	*) -	-	-	795	-	795
Issuance of common stock to consultants and service provider	4,753	*) -	-	-	59	-	59
Issuance of common stock and pre-funded warrants in 2019 public offering, net of issuance costs	242,768	*) -	-	-	6,558	-	6,558
Issuance of preferred stock in 2019 private placement, net of issuance cost	-	-	21,375	*) -	18,689	-	18,689
Deemed dividend related to issue of preferred shares	-	-	-	-	3,155	(3,155)	-
Stock-based compensation	-	-	-	-	593	-	593
Net loss	-	-	-	-	-	(17,736)	(17,736)
Balance as of December 31, 2019	2,235,649	$ *) -	21,375	$ *) -	$ 129,039	$ (110,145)	$ 18,894
Payment for executives and directors under stock for salary program	164,875	*) -	-	-	1,003	-	1,003
Exercise of agent warrants	222,016	*) -	-	-	-	-	-
Exercise of repriced warrants	88,889	*) -	-	-	1,088	-	1,088
Issuance of common stock to consultants and service provider	245,480	*) -	-	-	1,993	-	1,993
Issuance of common stock to directors and employees	721,820	*) -	-	-	4,913	-	4,913
Deemed dividend related to warrants exchange	161,317	*) -	-	-	599	(599)	-
Deemed dividend related to issuance of Preferred Stock	-	-	-	-	3,059	(3,059)	-
Conversion of preferred stock to common stock	1,278,695	*) -	(5,552)	*) -	-	-	*) -
Issuance of warrants to service providers	-	-	-	-	1,487	-	1,487
Issuance of common stock, net of issuance cost	3,000,752	*) -	-	-	26,460	-	26,460
Stock-based compensation	-	-	-	-	1,758	-	1,758
Net loss	-	-	-	-	-	(29,445)	(29,445)
Balance as of December 31, 2020	8,119,493	*) -	15,823	*) -	171,399	(143,248)	28,151

*) Represents an amount lower than $1.

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

DARIOHEALTH CORP. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
U.S. dollars in thousands

	Year ended December 31,	
	2020	**2019**
Cash flows from operating activities:		
Net loss	$ (29,445)	$ (17,736)
Adjustments required to reconcile net loss to net cash used in operating activities:		
Stock-based compensation, common stock, and stock instead of cash compensation to directors, employees, consultants, and service providers	11,102	2,257
Depreciation	190	183
Change in operating lease right of use assets	267	368
Decrease (increase) in trade receivables	548	(504)
Decrease (increase) in other accounts receivable and prepaid expenses and long-term assets	(1,152)	124
Increase in inventories	(879)	(37)
Increase (decrease) in trade payables	824	(918)
Increase in other accounts payable and accrued expenses	1,048	371
Increase in deferred revenues	1	487
Change in operating lease liabilities	(240)	(320)
Net cash used in operating activities	(17,736)	(15,725)
Cash flows from investing activities:		
Investment in deposits	(4)	(15)
Purchase of property and equipment	(118)	(98)
Loan Receivables	(1,500)	
Net cash used in investing activities	(1,622)	(113)
Cash flows from financing activities:		
Proceeds from issuance of Common Stock, warrants, warrant exercises and Preferred Stock in 2019 private placement, net of issuance costs	27,548	25,247
Net cash provided by financing activities	27,548	25,247
Increase in cash, cash equivalents and short-term restricted bank deposits	8,190	9,409
Cash, cash equivalents and short-term restricted bank deposits at beginning of year	20,535	11,126
Cash, cash equivalents and short-term restricted bank deposits at end of year	$ 28,725	$ 20,535

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

NOTE 1:- GENERAL

a. DarioHealth Corp. (the "Company") was incorporated in Delaware and commenced operations on August 11, 2011.

DarioHealth is a leading Global Digital Therapeutics (DTx) company changing the way people with chronic conditions manage their health. By delivering personalized evidence-based interventions that are driven by precision data analytics, high quality software, and personalized coaching, DarioHealth has developed a novel approach that empowers individuals to adjust their lifestyle in a unique and holistic way.

DarioHealth's cross-functional team operates at the intersection of life sciences, behavioral science, and software technology to deliver seamlessly integrated and highly engaging digital therapeutics interventions. Our diabetes solutions, its user-centric approach is used by tens of thousands of customers around the globe. DarioHealth is rapidly expanding its solutions for additional chronic conditions such as hypertension and moving into new geographic markets.

DarioHealth's digital therapeutic platform has been designed with a 'user-first' strategy, focusing on the user's needs first and foremost, and user experience and satisfaction. User satisfaction is constantly measured and drives, all company processes, including our technology design.

DarioHealth has one reporting unit and one segment.

b. The Company's wholly owned subsidiary, LabStyle Innovation Ltd. (the "Subsidiary"), was incorporated and commenced operations on September 14, 2011 in Israel. Its principal business activity is to hold the Company's intellectual property and to perform research and development, manufacturing, marketing and other business activities.

c. During the year ended December 31, 2020, the Company incurred operating losses and negative cash flows from operating activities amounting to $29,903 and $17,736, respectively. On December 31, 2020, we had $28,590 in available cash and cash equivalent. On February 1, 2021, the Company entered into securities purchase agreements with accredited investors relating to an offering of its common stock, resulting in aggregate gross proceeds of approximately $70,000 ($64,880 net of issuance expenses). Management believes that the proceeds from the recent securities purchase agreements, combined with our cash on hand are sufficient to meet our obligations as they come due for at least a period of twelve months from the date of the issuance of these unaudited condensed consolidated financial statements. There are no assurances, however, that the Company will be able to obtain an adequate level of financial resources that are required for the long-term development and commercialization of its product offering.

d. In December 2015, the United States Food and Drug Administration granted the Subsidiary 510(k) clearance for the Dario Blood Glucose Monitoring System, including its components, the Dario Blood Glucose Meter, Dario Blood Glucose Test Strips, Dario Glucose Control Solutions and the Dario app on the Apple iOS 6.1 platform and higher.

e. On March 4, 2016, the Company's Common Stock, par value $0.0001 per share (the "Common Stock") and warrants to purchase shares of Common Stock were approved for listing on the Nasdaq Capital Market under the symbols "DRIO" and "DRIOW," respectively. The Company's listed warrants are due to expire and cease being listed on the Nasdaq Capital Market on March 8, 2021.

f. On November 18, 2019, the Company affected a 1-for-20 reverse stock split (referred to herein as the Reverse Stock Split) of its Common Stock. No fractional shares were issued, and no cash or other consideration were paid as a result of the Reverse Stock Split. Instead, the Company issued one additional whole share of the post-Reverse Stock Split Common Stock to any shareholder who otherwise would have received a fractional share as a result of the Reverse Stock Split. The amount of authorized Common Stock was not affected. All issued and outstanding share and per share amounts included in the accompanying consolidated financial statements have been adjusted to reflect this Reverse Stock Split for all periods presented.

g. The Company has been carefully monitoring the COVID-19 pandemic and its impact on its business. In that regard, the Company has continued to sell its products and services and has not experienced disruptions in its supply chains. With respect to the Company's DTx platform, it has observed that some of its business-to-business prospective partners have been addressing their business needs as a result of the COVID-19 pandemic, which has resulted in a slowdown of negotiations and discussions with some of these potential partners. In addition, the Company has also seen an increase in interest from other business-to-business prospective partners in its DTx platform, as certain parties are seeking tele-health products. The Company expects the significance of the COVID-19 pandemic, including the extent of its effect on the Company's financial and operational results, to be dictated by, among other things, its duration, the success of efforts to contain it and the impact of actions taken in response. While the Company has not experienced any material disruptions to its business and operations as a result of the COVID-19 pandemic, it is possible such disruptions may occur in the future which may impact its financial and operational results, and which could be material.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are prepared according to United States generally accepted accounting principles ("U.S. GAAP").

a. Use of estimates:

The preparation of the consolidated financial statements and related disclosures in conformity with U.S. GAAP requires the Company's management to make judgments, assumptions and estimates that affect the amounts reported in its consolidated financial statements and accompanying notes. Management bases its estimates on historical experience and on various other assumptions it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates, and such differences may be material.

Management believes the Company's critical accounting policies and estimates are reasonable based upon information available at the time they are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

b. Financial statements in U.S. dollars ("$," "dollar" or "dollars"):

The accompanying consolidated financial statements have been prepared in dollars.

The Company's revenues and financing activities are incurred in U.S. dollars. Although a portion of the Subsidiary's expenses is denominated in New Israeli Shekels ("NIS") (mainly cost of personnel), a substantial portion of its expenses is denominated in dollars. Accordingly, the Company's management believes that the currency of the primary economic environment in which the Company and its subsidiary operate is the dollar; thus, the dollar is the functional currency of the Company. Transactions and balances denominated in dollars are presented at their original amounts. Monetary accounts denominated in currencies other than the dollar are re-measured into dollars in accordance with Accounting Standard Codification ("ASC") 830, "Foreign Currency Matters". All transaction gains and losses of the re-measurement of monetary balance sheet items are reflected in the consolidated statements of comprehensive loss as financial income or expenses, as appropriate.

c. Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany accounts and transactions have been eliminated upon consolidation.

d. Cash and cash equivalents:

The Company considers all highly liquid investments, which are readily convertible to cash with a maturity of three months or less at the date of acquisition, to be cash equivalents.

e. Short-term restricted bank deposits:

Short-term restricted bank deposits are restricted deposits with maturities of up to one year and are pledged in favor of the bank as a security for the bank guaranties issued to the landlords of the Company's offices and credit card payments. The short-term restricted bank deposits are denominated in NIS and USD and bear interest at an average rate of 0.01% and of 0.02% as of December 31, 2020 and 2019, respectively. The short-term restricted bank deposits are presented at their cost, including accrued interest.

As of December 31, 2020, and 2019, the Company had, a short-term restricted bank deposit which are used as collateral for rent in the amount of $ 123 and $ 128, respectively.

U.S. dollars in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

As of December 31, 2020, and 2019, the Company had, short-term restricted bank deposits which are used as collateral for credit payments in amounts of $ 64 and $ 63, respectively.

The following table provides a reconciliation of the cash balances reported on the balance sheets and the cash, cash equivalents and short-term restricted bank deposits balances reported in the statements of cash flows:

	December 31,	
	2020	2019
Cash, and cash equivalents as reported on the balance sheets	$ 28,590	$ 20,395
Short-term restricted bank deposits, as reported on the balance sheets	$ 135	$ 140
Cash, restricted cash, cash equivalents and short-term restricted bank deposits as reported in the statements of cash flows	$ 28,725	$ 20,535

f. Inventories:

Inventories are stated at the lower of cost or net realized value. Cost is determined on a first in first out ("FIFO") basis. Inventory write-downs are provided to cover technological obsolescence, excess inventories and discontinued products. Inventory write-downs represent the difference between the cost of the inventory and net realizable value. Inventory write-downs are charged to the cost of revenues and ramp up of manufacturing when a new lower cost basis is established. Subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

Work-in-process is immaterial, given the typically short manufacturing cycle, and therefore is disclosed in conjunction with raw materials.

Total write-downs during the years ended December 31, 2020 and 2019 amounted to $99 and $62, respectively.

g. Long-term assets:

Long-term assets during the years ended December 31, 2020 and 2019 include mainly long-term prepayments for the Company's cartridges manufacturing.

h. Property and equipment:

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

	%
Computers, and peripheral equipment	15-33
Office furniture and equipment	6-15
Production lines	14-20
Leasehold improvements	Over the shorter of the lease term or useful economic life

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

i. Impairment of long-lived assets:

The Company's long lived assets are reviewed for impairment in accordance with ASC 360, "Property, Plant and Equipment," whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. As of December 31, 2020, and 2019, no impairment was recorded.

j. Revenue recognition

The Company recognizes revenue in accordance with ASC 606, revenue from contracts with customers, when (or as) it satisfies performance obligations by transferring promised products or services to its customers in an amount that reflects the consideration the Company expects to receive. The Company applies the following five steps: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when a performance obligation is satisfied.

The Company considers customer and distributers purchase orders to be the contracts with a customer. For each contract, the Company considers the promise to transfer tangible products and services, each of which are distinct, to be the identified performance obligations. In determining the transaction price, the Company evaluates whether the price is subject to rebates and adjustments to determine the net consideration to which the Company expects to receive. As the Company's standard payment terms are less than one year, the contracts have no significant financing component. The Company allocates the transaction price to each distinct performance obligation based on their relative standalone selling price. Revenue from tangible products is recognized when control of the product is transferred to the customer (i.e., when the Company's performance obligation is satisfied), which typically occurs at shipment. The revenues from fixed-price services are recognized ratably over the contract period and the costs associated with these contracts are recognized as incurred. The Company's standard arrangements with its customers typically do not allow for rights of return.

k. Cost of revenues:

Cost of revenues is comprised of the cost of production, data center costs, shipping and handling inventory, personnel and related overhead costs, depreciation of production line and related equipment costs, amortization of deferred costs and inventory write-downs.

l. Concentrations of credit risk:

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, short-term restricted bank deposits and trade receivables.

All of the cash and cash equivalents and short-term restricted bank deposits of the Company and its Subsidiary are invested in deposits and current accounts with major U.S. and Israeli banks. Such cash and cash equivalents and short-term restricted bank deposits may be in excess of insured limits and are not insured in other jurisdictions. Generally, cash and cash equivalents and short-term restricted bank deposits may be redeemed and therefore a minimal credit risk exists with respect to these deposits and investments.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company's trade receivables are derived mainly from sales to distributers and to end-users world-wide. The Company performs ongoing credit evaluations of its customers. An allowance for doubtful accounts is determined with respect to those specific amounts that the Company has determined to be doubtful of collection.

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

m. Income taxes:

The Company accounts for income taxes in accordance with ASC 740, "Income Taxes" ("ASC 740"). This guidance prescribes the use of the liability method whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance, if necessary, to reduce deferred tax assets to amounts that are more likely than not to be realized. As of December 31, 2020, and 2019 a full valuation allowance was provided by the Company.

ASC 740 contains a two-step approach to recognizing and measuring a liability for uncertain tax positions. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that, on an evaluation of the technical merits, the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. As of December 31, 2020, and 2019, no liability for unrecognized tax benefits was recorded as a result of the implementation of ASC 740.

n. Research and development costs:

Research and development costs are charged to the consolidated statements of comprehensive loss, as incurred.

o. Accounting for stock-based compensation:

The Company accounts for stock-based compensation in accordance with ASC 718, "Compensation - Stock Compensation" ("ASC 718"), which requires companies to estimate the fair value of equity-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service periods in the Company's consolidated statement of comprehensive loss.

The Company recognizes compensation expenses for the value of its awards granted based on the straight-line method over the requisite service period of each of the awards, net of estimated forfeitures. ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

The Company estimates the fair value of stock options granted using the Black-Scholes-Merton option-pricing model. The option-pricing model requires a number of assumptions, of which the most significant are the expected stock price volatility and the expected option term. Expected volatility was calculated based upon historical volatility of the Company. The expected option term represents the period that the Company's stock options are expected to be outstanding and is determined based on the simplified method until sufficient historical exercise data will support using expected life assumptions. The risk-free interest rate is based on the yield from U.S. treasury bonds with an equivalent term. The Company has historically not paid dividends and has no foreseeable plans to pay dividends.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

p. Fair value of financial instruments:

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

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

The hierarchy is broken down into three levels based on the inputs as follows:

Level 1 - Valuations based on quoted prices in active markets for identical assets that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary from investment to investment and is affected by a wide variety of factors, including, for example, the type of investment, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment and the investments are categorized as Level 3.

The carrying amounts of cash and cash equivalents, short-term restricted bank deposits, trade receivables, other accounts receivable and prepaid expenses, trade payables and other accounts payable and accrued expenses approximate their fair value due to the short-term maturity of such instruments. Some of the inputs to these models are unobservable in the market and are significant. The Company has no financial assets or liabilities measured using Level 2, or Level 3 inputs.

q. Basic and diluted net loss per share:

Basic net loss per share is computed based on the weighted average number of shares of Common Stock outstanding during each year. Diluted net loss per share is computed based on the weighted average number of shares of Common Stock outstanding during each year, plus dilutive potential Common Stock considered outstanding during the year, in accordance with ASC 260, "Earnings Per Share".

The Company follows the two-class method when computing net loss per common share when shares are issued that meet the definition of participating securities. The two-class method determines net income (loss) per common share for each class of common shares and participating securities according to dividends declared or accumulated and participation rights in undistributed earnings. The two-class method requires income available to common shareholders for the period to be allocated between common shares and participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed. The Company's convertible preferred shares contractually entitle the holders of such shares to participate in dividends.

The total number of shares related to the outstanding options, warrant and preferred shares excluded from the calculations of diluted net loss per share due to their anti-dilutive effect was 7,819,905 and 6,545,910 for the year ended December 31, 2020 and 2019, respectively.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

r. Severance pay:

Since inception date, all Ltd. employees who are entitled to receive severance pay in accordance with the applicable law in Israel, have been included under section 14 of the Israeli Severance Compensation Law ("Section 14"). Under this section, they are entitled only to monthly deposits, at a rate of 8.33% of their monthly salary, made by the employer on their behalf with insurance companies. Payments in accordance with Section 14 release Ltd. from any future severance payments in respect of those employees. Payments under Section 14 are not recorded as an asset in the Company's balance sheet.

Severance pay expense for the year ended December 31, 2020 and 2019 amounted to $387 and $346, respectively.

s. Legal and other contingencies:

The Company accounts for its contingent liabilities in accordance with ASC 450 "Contingencies". A provision is recorded when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. With respect to legal matters, provisions are reviewed and adjusted to reflect the impact of negotiations, estimated settlements, legal rulings, advice of legal counsel and other information and events pertaining to a particular matter. As of December 31, 2019 and 2020, the Company is not a party to any litigation that could have a material adverse effect on the Company's business, financial position, results of operations or cash flows. Legal costs incurred in connection with loss contingencies are expensed as incurred.

t. Leases:

Lessee accounting:

On January 1, 2019, the Company adopted ASU No. 2016-02, Leases (ASC 842). The Company determines if an arrangement is a lease and the classification of that lease at inception based on: (1) whether the contract involves the use of a distinct identified asset, (2) whether the Company obtains the right to substantially all the economic benefits from the use of the asset throughout the period, and (3) whether the Company has a right to direct the use of the asset. The Company elected to not recognize a lease liability or right-of-use ("ROU") asset for leases with a term of twelve months or less. The Company also elected the practical expedient to not separate lease and non-lease components for its leases.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make minimum lease payments arising from the lease. ROU assets are initially measured at amounts, which represents the discounted present value of the lease payments over the lease, plus any initial direct costs incurred. The ROU assets are reviewed for impairment. The lease liability is initially measured at lease commencement date based on the discounted present value of minimum lease payments over the lease term. The implicit rate within the operating leases is generally not determinable; therefore, the Company uses the Incremental Borrowing Rate ("IBR") based on the information available at commencement date in determining the present value of lease payments. The Company's IBR is estimated to approximate the interest rate on similar terms and payments and in economic environments where the leased asset is located.

Certain leases include options to extend or terminate the lease. An option to extend the lease is considered in connection with determining the ROU asset and lease liability when it is reasonably certain that the Company will exercise that option. An option to terminate is considered unless it is reasonably certain that the Company will not exercise the option.

U.S. dollars in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

u. Recently issued accounting pronouncements, not yet adopted:

In September 2016, the Financial Accounting Standards Board (the "FASB") issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). ASU 2016-13 changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans, and other instruments, entities will be required to use a new forward-looking "expected loss" model that generally will result in the earlier recognition of allowances for losses. The guidance also requires increased disclosures. For the Company, the amendments in the update were originally effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. In November 2019, the FASB issued ASU No. 2019-10 which delayed the effective date of ASU 2016-13 for smaller reporting companies (as defined by the U.S. Securities and Exchange Commission) and other non-SEC reporting entities to fiscal years beginning after December 15, 2022, including interim periods within those fiscal periods. Early adoption is permitted. The Company is currently assessing the impact the guidance will have on its consolidated financial statements.

NOTE 3:- OTHER ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	December 31,	
	2020	**2019**
Prepaid expenses	$ 1,354	$ 203
Deferred costs	-	24
Government authorities	80	40
Loan receivables (*)	1,500	-
	$ 2,934	$ 267

*) see note 14.

NOTE 4:- INVENTORIES

	December 31,	
	2020	2019
Raw materials	$ 377	$ 536
Finished products	1,916	878
	$ 2,293	$ 1,414

NOTE 5: - REVENUE

The following tables represent the Company total revenues for the year ended December 31, 2020 and 2019 by performance obligation type as a result of implementing ASC 606:

	December 31,	
	2020	2019
Products	$ 5,767	$ 5,490
Services	1,809	2,069
	$ 7,576	$ 7,559

Consolidated revenues by category type are as follows (in thousands):

	December 31,	
	2020	2019
Consumer Products and other revenues	$ 4,392	$ 4,478
Membership services	3,184	2,930
	$ 7,576	$ 7,559

The Company recognizes contract liabilities, or deferred revenues, when it receives advance payments from customers before performance obligations primarily related services have been performed. Advance payments are received at the beginning of the service period and the related deferred revenues are reclassified to revenue ratably over the service period. The balance of deferred revenues approximates the aggregate amount of the transaction price allocated to the unsatisfied performance obligations at the end of reporting period.

The following table presents the significant changes in the deferred revenue balance during the year ended December 31, 2020:

Balance, beginning of the period	$ 1,223
New performance obligations	3,245
Reclassification to revenue as a result of satisfying performance obligations	3,244
Balance, end of the period	$ 1,224

Because all performance obligations in the Company's contracts with customers relate to contracts with a duration of less than one year, the Company has elected to apply the optional exemption and is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

U.S. dollars in thousands

NOTE 6: - LEASES

The Company has entered into various non-cancelable operating lease agreements for certain of its offices and car leases. The Company's leases have original lease periods expiring between 2020 and 2023. Many leases include one or more options to renew. The Company does not assume renewals in determination of the lease term unless the renewals are deemed to be reasonably certain at lease commencement. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants, the Company elected the practical expedient for short term leases.

The components of lease costs, lease term and discount rate are as follows:

	Twelve Months Ended December 31, 2020
Lease cost	
Operating lease cost	$ 329
Short term lease cost	73
Variable lease cost	(2)
Total lease cost	400
Weighted Average Remaining Lease Term	
Operating leases	1.90 years
Weighted Average Discount Rate	
Operating leases	7.29%

The following is a schedule, by years, of maturities of lease liabilities as of December 31, 2020:

	Operating Leases
2021	$ 321
2022	241
2023	5
Total undiscounted cash flows	567
Less imputed interest	(35)
Present value of lease liabilities	$ 532

Supplemental cash flow information related to leases are as follows:

	Year ended December 31, 2020
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 329
Lease liabilities arising from obtaining right-of-use assets:	
Operating leases	$ 25

U.S. dollars in thousands

NOTE 7:- PROPERTY AND EQUIPMENT, NET

Composition of assets, grouped by major classification, is as follows:

	December 31,	
	2020	2019
Cost:		
Computers and peripheral equipment	$ 326	$ 233
Office furniture and equipment	132	131
Production lines	763	748
Leasehold improvement	147	147
	1,368	1,259
Accumulated depreciation:		
Computers and peripheral equipment	179	134
Office furniture and equipment	41	33
Production lines	526	412
Leasehold improvement	46	32
	792	611
Property and equipment, net	$ 576	$ 648

Depreciation expenses for the year ended December 31, 2020 and 2019 amounted to $190 and $183, respectively.

NOTE 8:- OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	December 31,	
	2020	2019
Employees and payroll accruals	$ 2,140	$ 1,137
Accrued expenses	880	887
	$ 3,020	$ 2,024

NOTE 9:- COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2020, Ltd. had established guarantees to cover rent agreements and credit cards commitments that amounted to $187.

NOTE 10:- LONG-LIVED ASSETS

As of December 31, 2020, substantially all of the Company long live assets are located in Israel.

NOTE 11:- TAXES ON INCOME

The Company and Ltd. are separately taxed under the domestic tax laws of the country of incorporation of each entity.

a. Tax Reform

On December 22, 2017, the U.S. Tax Cuts and Jobs Act of 2017 (the "TCJA") was signed into law. The TCJA makes broad and complex changes to the Internal Revenue Code of 1986 (the "Code") that may impact the Company's provision for income taxes. The changes include, but are not limited to:

- Decreasing the corporate income tax rate from 35% to 21% effective for tax years beginning after December 31, 2017 ("Rate Reduction");
- The Deemed Repatriation Transition Tax; and
- Taxation of Global Intangible Low-Taxed Income ("GILTI") earned by foreign subsidiaries beginning after December 31, 2017. The GILTI tax imposes a tax on foreign income in excess of a deemed return on tangible assets of foreign corporations.

Net Operating Losses – Before the TCJA, taxable losses generated in the U.S. were able to be carried back for two years or carried forward for 20 years to offset prior/future year taxable income. TCJA changes the rule, and allows losses generated after 2017 (i.e. starting in 2018) to be carried forward indefinitely, but only to offset 80% of future year income. Carryback losses are no longer allowed.

In response to the COVID-19 pandemic, the U.S. passed the Coronavirus Aid, Relief, and Economic Security Act (CARES) in March 2020. The CARES Act changed the treatment of net operating losses ("NOLS") generated in tax years 2018, 2019 and 2020. Losses generated in these years are able to be carried backward for 5 years, and carried forward indefinitely, without the 80% limitation.

b. Tax rates applicable to Ltd.:

Corporate tax rate in Israel in 2019 and 2020 was 23%.

c. Net operating loss carryforward:

Ltd. has accumulated net operating losses for Israeli income tax purposes as of December 31, 2020 in the amount of approximately $86,600. The net operating losses may be carried forward and offset against taxable income in the future for an indefinite period.

U.S. dollars in thousands

NOTE 11:- TAXES ON INCOME (Cont.)

As of December 31, 2020, the Company had a U.S. federal net operating loss carryforward of approximately $16,223, of which $7,120 was generated from tax years 2011-2017 and can be carried forward and offset against taxable income and that expires during the years 2031 to 2037. Under Sections 382 and 383 of the IRC, utilization of the U.S. loss carryforward may be subject to substantial annual limitation due to the "change in ownership" provisions of the Code and similar state provisions. The annual limitations may result in the expiration of losses before utilization. Since the Company has not yet utilized the losses to offset income, no study has been performed to assess the potential limitations, but when relevant, a study will be performed.

The remaining $9,103 of NOLs were generated in years 2018-2020, and are subject to the TCJA, which modified the rules regarding utilization of NOLs. NOLs generated after December 31, 2017 can only be used to offset 80% of taxable income with an indefinite carryforward period for unused carryforwards (i.e., they should not expire). Utilization of the federal and state net operating losses and credits may be subject to a substantial annual limitation due to an additional ownership change. The annual limitation may result in the expiration of net operating losses and credits before utilization and in the event the Company's has a change of ownership, utilization of the carryforwards could be restricted.

As discussed above, under the CARES Act, the losses from 2018-2020 are excluded from the limitation, and can be carried forward indefinitely to offset 100% of future net income.

d. Deferred income taxes:

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

	December 31,	
	2020	**2019**
Deferred tax assets:		
Net operating loss and capital losses carry forward	$ 23,326	$ 16,879
Temporary differences	1,109	888
Deferred tax assets before valuation allowance	24,435	17,767
Valuation allowance	(24,435)	(17,767)
Net deferred tax asset	$ -	$ -

The deferred tax balances included in the consolidated financial statements as of December 31, 2020 are calculated according to the tax rates that were in effect as of the reporting date and do not take into account the potential effects of the reduction in the tax rate.

The net change in the total valuation allowance for the year ended December 31, 2020 was an increase of $6,668 and is mainly relates to increase in deferred taxes on net operating loss for which a full valuation allowance was recorded. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the periods in which those temporary differences and tax loss carryforward are deductible. Management considers the projected taxable income and tax-planning strategies in making this assessment. In consideration of the Company's accumulated losses and the uncertainty of its ability to utilize its deferred tax assets in the future, management currently believes that it is more likely than not that the Company will not realize its deferred tax assets and accordingly recorded a valuation allowance to fully offset all the deferred tax assets.

U.S. dollars in thousands (expect stock and stock data)

NOTE 11:- TAXES ON INCOME (Cont.)

e. Loss before taxes on income consists of the following:

	Year ended December 31,	
	2020	2019
Domestic	$ 12,471	$ 4,418
Foreign	16,974	13,318
	$ 29,445	$ 17,736

f. 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.

NOTE 12:- STOCKHOLDERS' EQUITY

a. The holders of Common Stock have the right to one vote for each share of Common Stock held of record by such holder with respect to all matters on which holders of Common Stock are entitled to vote, to receive dividends as they may be declared at the discretion of the Company's Board of Directors and to participate in the balance of the Company's assets remaining after liquidation, dissolution or winding up, ratably in proportion to the number of shares of Common Stock held by them after giving effect to any rights of holders of preferred stock. Except for contractual rights of certain investors, the holders of Common Stock have no pre-emptive or similar rights and are not subject to redemption rights and carry no subscription or conversion rights.

b. On April 3, 2015, the Company's Board of Directors approved stock for salary program pursuant to which the Company will issue compensation shares of restricted Common Stock ("Compensation Shares") to directors, officers, and employees of the Company as consideration for a reduction in or waiver of cash salary, bonus or fees owed to such individuals. The waiver of cash salary will be done upon the average closing price of the Common Stock for the 30 trading days prior to the date the Compensation Shares are granted or as otherwise defined by the Compensation Committee of the Board of Directors.

c. During the year ended December 31, 2019, the Company issued 104,363 Compensation Shares to certain members of the Board of Directors, officers, and employees as consideration for a waiver of cash owed to such individuals amounting to $1,011.

On April 29, 2019, the Company's Compensation Committee of the Board of Directors approved the grant of an aggregate of 51,613 shares to directors, officers and employees of the Company.

In September 2019, the Company's Compensation Committee of the Board of Directors approved the grant of an aggregate of 5,378 shares of Common Stock to service providers of which 4,753 shares were issued during the third and fourth quarters of 2019 and the remainder of 625 shares were issued during the first quarter of 2020.

During the year ended December 31, 2020, the Company issued 164,479 Compensation Shares to certain members of the Board of Directors, officers, and employees as consideration for a waiver of cash owed to such individuals amounting to $1,001. In addition, the Company granted 15,034 shares to directors upon departure from the Board of Directors.

NOTE 12:- STOCKHOLDERS' EQUITY (Cont.)

During the year ended December 31, 2020, the Board of Directors approved the grant of 170,229 shares of Common Stock to certain consultants of the Company, a portion of which were made in lieu of cash owed to such consultants.

During the year ended December 31, 2020, the Company's Compensation Committee of the Board of Directors approved the grant of an aggregate of 707,182 shares to directors, officers, employees and consultants of the Company.

In January 2020, the Board of Directors authorized the Company to issue warrants to purchase up to 13,750, and 250,000 shares of Common Stock, respectively, to certain consultants of the Company, at a purchase price of $12.00 and $6.56, respectively. As such, the Company recorded a warrant compensation expense for service providers in the amount of $1,131.

In January and March 2020, the Compensation Committee of the Board of Directors approved an inducement grant of a non-qualified stock option award to purchase 140,000 shares of the Company's Common Stock, as well as an additional inducement grant consisting of a non-qualified performance-based stock option award to purchase an additional 90,000 shares of the Company's Common Stock outside of the Company's Amended and Restated 2012 Equity Incentive Plan, as amended (the "2012" Plan"), pursuant to Nasdaq Listing Rule 5635(c)(4), in connection with the employment of its President and General Manager of North America and of its Chief Medical Officer.

In April 2020, the Compensation Committee of the Board of Directors approved a monthly grant of shares of the Company's Common Stock equal up to $18 of restricted shares to certain service providers per month, to be granted monthly during the period that the certain consulting agreement remains in effect. During the year ended December 31, 2020, a total of 16,126 restricted shares of the Company's Common Stock were issued to certain service providers under this approval.

In April 2020, the Audit and Compensation Committee of the Board of Directors approved monthly grants of 1,500 shares of the Company's Common Stock, of which 639 shares were issued to a board member under the 2012 Plan, and 861 restricted shares to certain service providers to be granted monthly during the 12-month period that the certain consulting agreement with said service providers is in effect. During the year ended December 31, 2020, a total of 13,500 shares of the Company's Common Stock were issued under the said approval of which 9,195 shares were issued under the plan including 5,691 to a board member and the remaining 4,305 shares were issued as restricted shares to certain service providers.

In May 2020, the Compensation Committee of the Board of Directors authorized the Company to issue, in several installments, 45,000 shares and warrants to purchase 110,000 shares of Common Stock, to certain consultants of the Company, of which warrants to purchase 60,000 shares of Common Stock are vesting over a 12-month period. The warrants exercise prices are between $6.39 and $10.00 per share. During the year ended December 31, 2020, the Company issued all said shares and warrants, and recorded compensation expense for service providers in the amount of $576.

NOTE 12:- STOCKHOLDERS' EQUITY (Cont.)

d. On May 24, 2019, the Company closed a public offering (the "2019 Public Offering") of (i) 242,768 shares of Common Stock, at a price of $12 per share and (ii) pre-funded warrants (the "Pre-Funded Warrants") to purchase up to 358,779 shares of Common Stock, for aggregate consideration of $6,558, net of issuance expenses.

The Pre-Funded Warrants were sold at a public offering price of $11.998 per Pre-Funded Warrant, which represents the per share public offering price per Share, less a $0.0001 per share exercise price for each such Pre-Funded Warrant. The shares and Pre-Funded Warrants were offered, issued and sold pursuant to a shelf registration statement filed with the Securities and Exchange Commission. The Pre-Funded Warrants have been accounted for as equity instruments.

The Pre-Funded Warrants are exercisable at any time after the date of issuance. A holder of Pre-Funded Warrants may not exercise the warrant if the holder, together with any group that the holder is a member, would beneficially own more than 4.99% (or, at the election of the purchaser, 9.99%) of the number of shares of common stock outstanding immediately after giving effect to such exercise. A holder of Pre-Funded Warrants may terminate, increase or decrease this percentage by providing at least 61 days' prior notice to the Company. A holder of Pre-Funded Warrants is also subject to a limitation on exercise of the Pre-Funded Warrant if such exercise would result in such holder, together with any group that the holder is a member, beneficially owning more 19.99% of the number of shares of common stock outstanding immediately before giving effect to such exercise, unless shareholder approval is obtained.

e. In November and December, 2019, the Company entered into subscription agreements (the "Series A, A-1, A-2, A-3 and A-4 Subscription Agreement") for a sale of an aggregate of 21,375 shares of newly designated Series A, A-1, A-2, A-3 and A-4 Preferred Stock (the "Series A Preferred Stock"), at a purchase price of $1,000 per share (the "Stated Value"), for aggregate gross proceeds, of approximately $21,375 ($18,689 net of issuance expenses). The initial conversion price for the Series A, A-1, A-2, A-3 and A-4 Preferred Stock was $4.05, $4.05, $4.28, $4.98 and $5.90, respectively, subject to adjustment in the event of stock splits, stock dividends, and similar transactions). As such, the Company recorded a deemed dividend during 2019 in the amount of $2,860 for the benefit created to the series A-2, A-3 and A-4 holders.

During the year ended December 31, 2020, a total of 5,552 of certain Series A Convertible Preferred Stock were converted into 1,278,695 shares of Common Stock.

The holders of series A Preferred Stock (excluding Series A-1 Preferred Stock, which do not possess any voting rights) shall be entitled to cast the number of votes equal to the number of whole shares of Common Stock into which the shares of Series A Preferred Stock held by such holder are convertible as of the record date for determining stockholders entitled to vote on such matter. Except as provided by law or by the other provisions of the Certificate of Incorporation, Holders of Series A Preferred Stock shall vote together with the holders of Common Stock as a single class. Upon any liquidation, dissolution or winding-up of the Company, after the satisfaction in full of the debts of the Company and payment of the liquidation preference to the Senior Securities, holders of Series A Preferred Stock shall be entitled to be paid, on a pari passu basis with the payment of any liquidation preference afforded to holders of any Parity Securities, the remaining assets of the Company available for distribution to its stockholders. For these purposes, (i) "Parity Securities" means the Common Stock, Series A Preferred Stock and any other class or series of capital stock of the Company hereinafter created that expressly ranks pari passu with the Series A Preferred Stock; and (ii) "Senior Securities" shall mean any class or series of capital stock of the Company hereafter created which expressly ranks senior to the Parity Securities.

NOTE 12:- STOCKHOLDERS' EQUITY (Cont.)

Each share of Series A Preferred Stock is convertible at the option of the holder, subject to certain beneficial ownership limitations as set forth in the Series A Certificate of Designation into such number of shares of Company's Common Stock equal to the number of Series A Preferred Shares to be converted, multiplied by the Stated Value, divided by the conversion price in effect at the time of the conversion.

The Series A Preferred Stock will automatically convert into shares of Common Stock, subject to certain beneficial ownership limitations, on the earliest to occur of (i) upon the approval of the holders at least 50.1% of the outstanding shares of Series A Preferred with respect to the Series A Preferred Stock; or (ii) the 36-month anniversary of each of the Series A Effective Date. The holders of Series A Preferred Stock will also be entitled dividends payable as follows: (i) a number of shares of Common Stock equal to ten percent (10%) of the number of shares of Common Stock issuable upon conversion of the Series A Preferred Stock then held by such holder on the 12-month anniversary of the Series A Effective Date, (ii) a number of shares of Common Stock equal to fifteen percent (15%) of the number of shares of Common Stock issuable upon conversion of the Series A Preferred then held by such holder on the 24-month anniversary of the Series A Effective Date, and (iii) a number of shares of Common Stock equal to twenty percent (20%) of the shares of Common Stock issuable upon conversion of the Series A Preferred Stock then held by such holder on the 36-month anniversary of the Series A Effective Date. During the year ended December 31, 2020 and 2019, The Company accounted for the dividend as a deemed dividend in a total amount of $3,059 and $295, respectively.

Pursuant to the Placement Agency Agreement (the "Placement Agency Agreement") executed by and between the Company and the registered broker dealer retained to act as the Company's exclusive placement agent (the "Placement Agent") for the offering of the Series A Preferred Stock, the Company paid the Placement Agent an aggregate cash fee of $1,788, non-accountable expense allowance of $641 and was required to issue to the Placement Agent or its designees warrants to purchase 719,243 shares of Common Stock at an exercise price ranging from $4.05 to $5.90 per share (the "Placement Agent Warrants"). The Placement Agent Warrants are exercisable for a period of five years from the date of the final closing of the Series A Preferred Stock Offering.

As of December 31, 2020, out of the Placement Agent Warrants that were issued in December 2019, 306,801 were exercised into 222,016 shares of Common Stock.

f. In March 2020, the Board of Directors authorized the Company to enter into an agreement to issue in the future warrants to purchase up to 500,000 shares of Common Stock to a business partner of the Company, upon reaching certain performance criteria, at a purchase price of $5.94. Certain performance criteria with respect to the first tranche of 125,000 shares were not met and that portion of such warrant expired on December 31, 2020.

U.S. dollars in thousands (expect stock and stock data)

NOTE 12:- STOCKHOLDERS' EQUITY (Cont.)

g. On July 28, 2020, the Company entered into subscription agreements with accredited investors relating to an offering with respect to the sale of an aggregate of (i) 2,969,266 shares of the Company's Common Stock, at a purchase price of $7.47 per Share, and (ii) pre-funded warrants to purchase 824,689 shares of Common Stock, at a purchase price of $7.4699 per Pre-Funded Warrant. In addition, on July 30, 2020, the Company entered into a subscription agreement with an accredited investor for the purchase of 31,486 shares of Common Stock at a purchase price per share of $7.94 per Share. The aggregate gross proceeds were approximately $28,591 ($26,460 net of issuance costs).

h. The table below summarizes the outstanding warrants as of December 31, 2020:

	Warrants outstanding as of December 31, 2020	Exercise price $	Expiration date
February 2015 PPM A (*)	232	86.40	November 25,2015
March 2016 Public Offering -Warrants	76,417	86.80	March 8, 2021
March 2016 Public Offering - Representative's Warrants	7,172	112.50	March 8, 2021
March 2017 Public Offering - Representative's Warrants	1,820	77.50	March 31, 2022
September 2018 PPM	153,790	25.00	September 13, 2021
September 2018 PPM (Finder Warrants)	7,030	25.00	September 13, 2021
December 2018 PPM	150,004	25.00	December 14, 2021
December 2018 PPM 2nd closing	2,500	25.00	December 27, 2021
Consultants	250,000	6.56	December 31, 2023
Placement Agent Warrants A-1 December 2019	275,070	4.05	December 19, 2024
Placement Agent Warrants A-2 December 2019	27,666	4.28	December 19, 2024
Placement Agent Warrants A-3 December 2019	95,221	4.98	December 19, 2024
Placement Agent Warrants A-4 December 2019	14,485	5.90	December 19, 2024
Consultants	10,000	7.50	April 6, 2024
Consultants	10,000	8.00	June 17, 2024
Consultants	10,000	9.00	September 9, 2024
Consultants	20,000	10.00	November 9, 2024
Consultants	60,000	6.39	February 12, 2025
Consultants	13,750	12.00	August 1, 2029
Agent warrants B-1 July 31 2020	193,044	7.47	July 31, 2025
Agent warrants B-1 July 31 2020	3,149	7.94	July 31, 2025
Total outstanding (**)	1,381,350		

(*) Warrants for which cash has been received by the Company did not issue securities.

No warrants were exercised in 2019, during the year ended December 31, 2020 certain Company warrant holders have exercised and exchanged Company warrants as detailed here below:

In January and July 2020, the Company entered into exchange agreements (each an "Exchange Agreement") with certain Company warrant holders who were granted warrants to purchase up to an aggregate of 230,452 shares of Common Stock in September 2018. Pursuant to the terms of the Exchange Agreements, the warrant holders agreed to surrender such warrants for cancellation and received, as consideration for the cancellation of such 2018 warrants, an aggregate of 161,317 restricted shares of Common Stock, thereby creating a benefit to these warrant holders. As such the Company recorded a deemed dividend in the amount of $599.

In September 2020, the Company entered into an agreement with a certain warrant holder who was granted warrants to purchase up to an aggregate of 88,889 shares of Common Stock in September 2018. Warrants to purchase 88,889 shares of Common Stock were exercised into shares of Common Stock at an exercise price of $13.00 per share. The aggregate gross proceeds were approximately $1,156 ($1,088 net of issuance expenses costs).

NOTE 12:- STOCKHOLDERS' EQUITY (Cont.)

i. Stock-based compensation:

On January 23, 2012, the Company's 2012 Plan was adopted by the Board of Directors of the Company and approved by a majority of the Company's stockholders, under which options to purchase shares of Common Stock have been reserved. Under the 2012 Plan, options to purchase shares of Common Stock may be granted to employees and non-employees of the Company or any affiliate, each option granted can be exercised to one share of Common Stock.

During 2019, the Company's stockholders approved an amendment to the 2012 Plan to increase the number of shares authorized for issuance under the 2012 Plan by 225,000 shares, from 393,650 to 618,650.

On February 5, 2020, the Company's stockholders approved an amendment to the 2012 Plan to increase the number of shares authorized for issuance under the 2012 Plan by 1,350,000 shares, from 618,650 to 1,968,650.

On October 14, 2020, the Company's stockholders approved the 2020 Equity incentive Plan (the "2020 Plan") and the immediate reservation of 900,000 shares under this Plan for the remainder of the 2020 fiscal year. Under the 2020 Plan, options to purchase shares of Common Stock may be granted to employees and non-employees of the Company or any affiliate, each option granted can be exercised to one share of Common Stock.

j. The following options were issued under the 2012 Plan during 2019 and 2020:

On April 29, 2019, the Company's Compensation Committee of the Board of Directors approved the grant of 29,236 options to employees, directors and consultants of the Company, respectively, at exercise prices of $14.40 and $15.40 per share. The stock options vest over a period of three years commencing on the respective grant dates. All of the aforementioned options have a six-year term.

In September and October 2019, the Company's Compensation Committee of the Board of Directors approved the grant of 3,939 options to consultants of the Company, at exercise price of $12.00 per share, and 462 options in lieu of $8 owed in cash to a consultant.

On December 24, 2019, the Company's Compensation Committee of the Board of Directors approved the grant of 42,500 options to employees of the Company, at exercise prices of $5.63 and $6.35 per share. The stock options vest over a period of three years commencing on the respective grant dates. All of the aforementioned options have a six-year term.

During the year ended December 31, 2020, the Company's Compensation Committee of the Board of Directors approved the grant of an aggregate of 623,491 options to employees, directors and consultants of the Company, at exercise prices between $6.35 and $18.68 per share. The stock options vest over a period of three years commencing on the respective grant dates. The options have a six-year term and were issued under the 2012 Plan.

In March and May 2020, the Board of Directors approved the grant of fully vested options to purchase 5,540 shares of Common Stock to certain consultants of the Company, a portion of which were made in lieu of cash owed to such consultants.

U.S. dollars in thousands (expect stock and stock data)

NOTE 12:- STOCKHOLDERS' EQUITY (Cont.)

Transactions related to the grant of options to employees, directors and non-employees under the above plans and non-plan options during the year ended December 31, 2020 were as follows:

	Number of options	Weighted average exercise price	Weighted average remaining contractual life	Aggregate Intrinsic value
		$	Years	$
Options outstanding at beginning of year	148,080	68.56	4.41	192
Options granted (*)	859,031	8.91		
Options exercised	-	-		
Options expired	9,152	41.96		
Options forfeited	24,384	13.45		
Options outstanding at end of year	973,575	17.56	4.99	5,510
Options vested and expected to vest at end of year	932,508	17.85	4.98	5,280
Exercisable at end of year	180,760	54.73	3.97	1,113

*) Including 230,000 non-plan options issued as inducement for employment, in accordance with Nasdaq Listing Rule 5635(c)(4). See note 12(d).

Weighted average fair value of options granted during the year ended December 31, 2020 and 2019 is $5.19 and $9.41, respectively.

The aggregate intrinsic value in the table above represents the total intrinsic value (the difference between the Company's closing stock price on the last day of fiscal 2020 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on December 31, 2020. This amount is impacted by the changes in the fair market value of the Common Stock.

U.S. dollars in thousands (expect stock and stock data)

NOTE 12:- STOCKHOLDERS' EQUITY (Cont.)

The following table presents the assumptions used to estimate the fair values of the options granted to employees and directors in the period presented:

	Year ended December 31,	
	2020	**2019**
Volatility	87.55%-99.39%	84.34%-90.82%
Risk-free interest rate	0.2%-1.56%	1.69%-2.28%
Dividend yield	0%	0%
Expected life (years)	3.5-4.5	3.5-4.5

The following table presents the assumptions used to estimate the fair values of the options granted to non-employees in the period presented:

	Year ended December 31,	
	2020	**2019**
Volatility	92.71%-99.89%	84.34%-90.82%
Risk-free interest rate	0.19%-0.31%	1.41%-2.28%
Dividend yield	0%	0%
Expected life (years)	3.5-4.5	3.5-4.5

As of December 31, 2020, the total unrecognized estimated compensation cost related to non-vested stock options granted prior to that date was $3,772, which is expected to be recognized over a weighted average period of approximately 1.33 year.

The total compensation cost related to all the Company's equity-based awards, recognized during year ended December 31, 2020 and 2019 were comprised as follows:

	Year ended December 31,	
	2020	**2019**
Cost of revenues	$ 35	$ 59
Research and development	824	236
Sales and marketing	2,741	300
General and administrative	7,502	1,721
Total stock-based compensation expenses	$ 11,102	$ 2,316

U.S. dollars in thousands

NOTE 13:- SELECTED STATEMENTS OF OPERATIONS DATA

Financial (income) losses, net:

	Year ended December 31,	
	2020	2019
Bank charges	$ 49	$ 27
Foreign currency adjustments (income) losses, net	(446)	20
Interest income	(61)	(16)
Total Financial (income) losses, net	$ (458)	$ 31

NOTE 14:- SUBSEQUENT EVENTS

a. In April 2020, the Audit and Compensation Committee of the Board of Directors approved a monthly grant of 1,500 shares of the Company's Common Stock to certain consultants. During the first quarter of 2021, the Company issued a total of 4,500 shares of the Company's Common Stock, of which 1,857 shares were issued to a board member. The shares were issued under the 2020 Plan.

b. In April 2020, the Compensation Committee of the Board of Directors approved a monthly grant of shares of the Company's Common Stock equal up to $18 of restricted shares to certain service providers per month, to be granted monthly during the period that the certain consulting agreement remains in effect. During the first quarter of 2021, the Company issued a total of 2,777 restricted shares of the Company's Common Stock to certain service providers.

c. On January 19, 2021, the Compensation Committee of the Board of Directors approved the grant of 5,579 shares of Common Stock to officers and employees of the Company as consideration for a reduction in or waiver of cash salary or fees owed to such individuals and the grant of 5,000 shares of the Company's Common Stock to employee. The shares vest over a period of three years commencing on the respective grant dates. The shares were issued under the Company's 2012 Plan.

d. On January 19, 2021, the Company's Compensation Committee of the Board of Directors approved the grant of 70,390 shares to consultants of the Company, the grant of 882,083 restricted shares of the Company's Common Stock to directors, officers and employees. The shares vest over a period of three years commencing on the January 1, 2021 and approved the grant of 212,058 options to officer, employees and a consultant of the Company, at exercise prices between $14.14 and $24.99 per share. The stock options vest over a period of three years commencing on the respective grant dates. The options have a ten-year term and were issued under the 2020 Plan.

e. In January 2021, pursuant to the terms of the 2020 Plan as approved by the Company's stockholders, the Company increased the number of shares authorized for issuance under the 2020 Plan by 928,890 shares, from 900,000 to 1,828,890.

NOTE 14:- SUBSEQUENT EVENTS (Cont.)

f. On February 1, 2021, the Company entered into a share purchase agreement pursuant to which the Company, through the Subsidiary, acquired all of the outstanding securities of Upright Technologies Ltd. ("Upright"). Upright is a leading digital MSK health company focused on preventing and treating the most common MSK conditions through behavioral science, biofeedback, coaching, and wearable tech.

The Company acquired Upright as a wholly owned subsidiary. The consideration payable in connection with the share purchase agreement was capped at $31,000 in any event, subject to certain indemnity provisions, and took into account certain working capital excess generated, among other matters, by that certain convertible bridge loan in an amount of $1,500 previously disbursed by the Company to Upright, which was converted into one ordinary share of Upright at the Closing. The Company agreed to bear certain liabilities of Upright, which shall be reduced from the aggregate consideration, in an estimated amount of $3,700.

In consideration for all of the outstanding securities of Upright, the Company agreed to pay the aforementioned consideration by issuing 1,687,612 shares of the Company's common stock, par value $0.0001 per share to the Selling Shareholders, and agreed to assume options to purchase up to 100,193 shares of the Company's Common Stock to Upright's personnel issuable pursuant to the Company's existing 2020 Equity Incentive Plan.

g. On February 1, 2021, the Company entered into securities purchase agreements with institutional accredited investors relating to an offering with respect to the sale of an aggregate of 3,278,688 shares of the Company's Common Stock, at a purchase price of $ 21.35 per share. The aggregate gross proceeds were approximately $70,000 ($64,880, net of issuance expenses).

h. During February 2021, out of the warrants that were issued in September 2018, 25,407 were exercised into shares of Common Stock at exercise price of $25.00 per share. The aggregate gross proceeds were approximately $633.

i. During February 2021, 250,000 warrants that were issued to a consultant in January 2020, were exercised on a cashless basis into 194,353 shares of Common Stock.

j. On February 17, 2021, the Compensation Committee of the Board of Directors authorized the Company to issue warrants to purchase 400,000 shares of Common Stock, to a certain consultant of the Company, with the warrants vesting over twelve months period and with an exercise price of $25.00 per share.

k. On March 4, 2021, the Compensation Committee of the Board of Directors approved the grant of 169,560 shares of common stock and 228,800 options to purchase common stock to officers employees and consultants of the Company at exercise prices between $25.50 and $25.837 per share. The stock options vest over a period of three years commencing on the respective grant dates. The options have a ten-year term and were issued under the 2020 Plan.

l. As of March 5, 2021, certain series A Convertible Preferred Stockholders converted 3,022 shares of various classes of the Company's A Convertible Preferred Stock into 707,147 shares of Common Stock.

m. As of March 5, 2021, 112,360 Placement Agent Warrants that were issued in December 2019 and July 2020 were exercised into 89,722 shares of Common Stock.

n. As of March 5, 2021, 31,078 options were exercised into shares of Common Stock, with aggregate gross proceeds of approximately $178

- - - - - - - - - - - - - - -

Exhibit 10.10

PERSONAL EMPLOYMENT AGREEMENT

THIS PERSONAL EMPLOYMENT AGREEMENT (the "**Agreement**") is made and entered into this **February 1, 2021** by and between Upright Technologies Ltd., a company incorporated under the laws of the State of Israel (the "**Company**"), and Employee **Oded Cohen** (Israeli I.D. 13518931) residing at Hatomer 36, Savion, Israel (the "**Employee**").

WHEREAS, Employee has been employed by the Company as of May 1st, 2015 and through the date hereof, and Parties wish to amend certain employment terms, as of the Commencement Date (as such term is defined hereunder); and

WHEREAS, Parties agree that any agreement Employee may have had with Labstyle Innovation Ltd., did not reflect the Parties' intention and is null and void, *ab-initio*, but without derogating from any option grant to Employee made by Dario Health Corp.;

WHEREAS, the parties hereto desire to state the terms and conditions of the Employee's employment by the Company, as set forth below.

NOW, THEREFORE, in consideration of the mutual premises, covenants and other agreements contained herein, the parties hereby agree as follows:

General

1. Position. The Employee shall serve in the position described in **Exhibit A** attached hereto. In such position the Employee shall report regularly and shall be subject to the direction and control of the Company's management and specifically under the direction of the person specified in **Exhibit A**. The Employee shall perform his duties diligently, conscientiously and in furtherance of the Company's best interests. The Employee agrees and undertakes to inform the Company, immediately after becoming aware of any matter that may in any way raise a conflict of interest between the Employee and the Company. During his employment by the Company, the Employee shall not receive any payment, compensation or benefit from any third party in connection, directly or indirectly, with his position in the Company.

2. Full Time Employment. The Employee will be employed on a full-time basis of 100% of a full time, i.e. 42 hours per week (the "**Scope of Employment**") in those working days and hours which will be determined by the Company subject to its business needs. the Employee shall devote his entire working hours to the business of the Company and shall not undertake or accept any other paid or unpaid employment or occupation or engage in any other business activity, which conflict with his obligations under this Agreement. The Employee's weekly rest day shall be Saturday, unless otherwise determined by the Company in a notice to the Employee. The above notwithstanding, Employee agrees and acknowledges the Position is a senior managerial position, requiring a special degree of personal confidence, as defined under the Working Hours and Rest Law, 5711-1951, thus the provisions of such law shall not apply to Employee, and further acknowledges his duties may entail irregular work hours and days , for which there is adequate reward hereunder.

3. Location. The Employee shall perform his duties hereunder at the Company's facilities in Israel, but he understands and agrees that his position may involve significant domestic and international travel.

4. Employee's Representations and Warranties. The Employee represents and warrants that the execution and delivery of this Agreement and the fulfillment of its terms: (i) will not constitute a default under or conflict with any agreement or other instrument to which he is a party or by which he is bound; and (ii) do not require the consent of any person or entity. Further, with respect to any past engagement of the Employee with third parties and with respect to any permitted engagement of the Employee with any third party during the term of his engagement with the Company (for purposes hereof, such third parties shall be referred to as "**Other Employers**"), the Employee represents, warrants and undertakes that: (a) his engagement with the Company is and/or will not be in breach of any of his undertakings toward Other Employers, and (b) he will not disclose to the Company, nor use, in provision of any services to the Company, any proprietary or confidential information belonging to any Other Employer.

Term of Employment

5. Term. The Employee's employment by the Company shall commence on the date set forth in **Exhibit A** (the "**Commencement Date**"), and shall continue until it is terminated pursuant to the terms set forth herein.

6. Termination at Will. Either party may terminate the employment relationship hereunder at any time, without the obligation to provide any reason, by giving the other party a prior written notice as set forth in **Exhibit A** (the "**Notice Period**"). The Employee acknowledges and agrees that he has been given ample opportunity to consider the aforesaid waiver and further acknowledges that the Base Salary includes due consideration for such waiver. Notwithstanding the foregoing, the Company is entitled to terminate this Agreement with immediate effect upon a written notice to Employee and to pay the Employee a one time amount equal to the Salary that would have been paid to the Employee during the Notice Period, in lieu of such prior notice.

The Company and Employee agree and acknowledge that the Company's Severance Contribution to the Insurance Scheme in accordance with Section 11 below, shall, provided contribution is made in full, be instead of severance payment to which the Employee (or his beneficiaries) is entitled with respect to the Salary upon which such contributions were made and for the period in which they were made (the "**Exempt Salary**"), pursuant to Section 14 of the Severance Pay Law 5723 – 1963 (the "**Severance Law**"). The parties hereby adopt the General Approval of the Minister of Labor and Welfare, which is attached hereto as **Exhibit C**. The Company hereby forfeits any right it may have in the reimbursement of sums paid by Company into the Insurance Scheme, except: (i) in the event that Employee withdraws such sums from the Insurance Scheme, other than in the event of death, disability or retirement at the age of 60 or more; or (ii) upon the occurrence of any of the events provided for in Sections 16 and 17 of the Severance Law. Nothing in this Agreement shall derogate from the Employee's rights to severance payment in accordance with the Severance Law or agreement or applicable ministerial order including the General Approval of the Minister of Labor and Welfare, as set forth in this Section 6, in the event contributions to the Insurance Scheme in accordance with Section 11 below have not been made in full.

7. Termination for Cause. The Company may immediately terminate the employment relationship for Cause, and such termination shall be effective as of the time of notice of the same. "**Cause**" means herein (a) conviction of any felony by the Employee involving moral turpitude affecting the Company or its affiliates or any crime involving fraud; (b) action taken by the Employee intentionally to materially harm the Company or its affiliates; (c) embezzlement of funds of the Company or its affiliates by the Employee; (d) falsification of Company's or its affiliates' records or reports by the Employee; (e) ownership by the Employee, direct or indirect, of an interest in a person or entity (other than a minority interest in a publicly traded company) in competition with the products or services of the Company or its affiliates, including those products or services contemplated in a plan adopted by the Company or its affiliates; (f) any material breach of the Employee's fiduciary duties or duties of care to the Company (except for conduct taken in good faith) which, to the extent such breach is curable, has not been cured by Employee within fifteen (15) days after its receipt of notice thereof from Company containing a description of the breach or breaches alleged to have occurred; (g) any material breach of the Proprietary Information, Assignment of Inventions and Non-Competition Agreement attached as **Exhibit B** by the Employee; and (i) any other act or omission that constitutes "cause" under the laws of the State of Israel. In the event of termination for Cause, the Employee's entitlement to severance pay will be subject to Sections 16 and 17 of the Severance Law.

8. Notice Period; End of Relations. During the Notice Period and unless otherwise determined by the Company in a written notice to the Employee, the employment relationship hereunder shall remain in full force and effect, the Employee shall be obligated to continue to discharge and perform all of his duties and obligations with Company, and the Employee shall cooperate with the Company and assist the Company with the integration into the Company of the person who will assume the Employee's responsibilities.

Covenants

9. Proprietary Information; Assignment of Inventions and Non-Competition. Upon the execution of this Agreement, the Employee will execute the Company's Proprietary Information, Assignment of Inventions and Non-Competition Agreement attached hereto as **Exhibit B**. Exhibit B hereto shall survive the expiration or other termination of this Agreement.

Salary and Additional Compensation; Insurance

10. (a) Salary. The Company shall pay to the Employee as compensation for the employment services an aggregate monthly base salary in the amount set forth in **Exhibit A** (the "**Base Salary**"). In addition, since the Employee may, from time to time, work overtime hours and since the Company cannot keep specific track of all of the Employee's overtime hours, the Company shall pay to the Employee an additional monthly gross amount, as set forth in **Exhibit A** paid for all of the Employee's overtime hours, as they may be from time to time (the "**Additional Compensation**" the Additional Compensation and Base Salary together shall constitute the "**Salary**" for purposes of this Agreement). Except as specifically set forth herein, the Salary includes any and all payments to which the Employee is entitled from the Company hereunder and under any applicable law, regulation or agreement and the Employee shall not be entitled to any additional payment, including, for avoidance of doubt, any payment for overtime hours of work or reimbursement for travel expenses to and from his home to the workplace (which are paid on global basis through the payment of the Additional Compensation). The Employee's Salary and other terms of employment may be reviewed and updated by the Company's management, from time to time, at the Company's discretion. The Salary is to be paid to the Employee no later than the 9th day of each calendar month after the month for which the Salary is paid, after deduction of applicable taxes and like payments.

(b) Annual Bonus. The first Annual Bonus payment shall be as set forth in **Exhibit A**.

(c) Special Compensation for Non-Competition Obligations. The Employee acknowledges that 20% of the Salary is paid as special supplementary monthly compensation in consideration for the Employee's non-competition undertakings and obligations set forth in **Exhibit B** hereto (the "**Special Non-Competition Monthly Compensation**"). The Employee warrants and represents that the Special Non-Competition Monthly Compensation constitutes a real, appropriate and full consideration to any prejudice he may suffer due to his non-competition undertakings and obligations set forth in **Exhibit B** hereto, including but not limited to restriction of his freedom of employment.

11. Insurance and Social Benefits. The Company will insure the Employee under a "Manager's Insurance Policy" ("*Bituach Menahalim*") ("**Policy**") or a Pension Fund ("**Pension Fund**"), to be selected by the Employee. The employee shall be entitled to contributions to a pension arrangement of his choice (the "**Pension Arrangement**"), at the following monthly rates:

(a) The Company shall contribute:

(i) 8.33% of the Salary towards the severance pay component; and

(ii) 6.5% of the Salary towards the pension component. In case you are insured in a mangers insurance policy or a provident fund (which is not a pension fund), the said rate shall include the rate of contributions towards the disability insurance, ensuring loss of earning payment of 75% of the Salary but no less than 5% towards the pension component, all subject to the terms of the Extension Order regarding the Increase of Pension Contributions - 2016 (the "**Pension Order 2016**"). In accordance with the terms of the Pension Order 2016, if the said rate shall not be sufficient to insure you in disability insurance, the total rate of contributions shall increase up to 7.5% of the Salary.

(b) The Company shall also deduct 6% of the Salary to be paid on your account towards the Pension Arrangement.

11. 1. By signing this Agreement, you acknowledge that in accordance with the terms of the General Order, if you choose to be insured in a Pension Arrangement, which is not a pension fund, you must also be insured in disability insurance, ensuring loss of earning payment of 75% of the Salary (or the relevant portion of the Salary which the you choose to insure in such an arrangement).

11. 2. Additionally, the Company together with the Employee will maintain an advanced study fund ("**Keren Hishtalmut**") and the Employee and the Company shall contribute to such fund an amount equal to 2.5% (two percent and one half of a percent) of the Salary and 7.5% (seven percent and one half of a percent) of the Salary, respectively. All of the Employee's aforementioned contributions shall be transferred to the above referred to plans and funds by the Company by deducting such amounts from each monthly Salary payment. Any tax results for payments made for amounts greater than the maximum amount exempt from tax under applicable laws will bear upon the employee.

Additional Benefits

12. Expenses. The Company will reimburse the Employee for traveling expenses in **Exhibit A**.

13. Vacation. The Employee shall be entitled to the number of vacation days per year as set forth in **Exhibit A**, as coordinated with the Company (with unused days to be accumulated up to the limit set pursuant to applicable law).

14. Sick Leave; Convalescence Pay. The Employee shall be entitled to that number of paid sick leave per year as set forth in **Exhibit A** (with unused days to be accumulated up to the limit set pursuant to applicable law), and also to Convalescence Pay ("Dmei Havra'a") pursuant to applicable law.

15. Mobile Phone. During the term of this Agreement the Company may provide the Employee with a Company's mobile phone, for use in connection with Employee's duties hereunder, pursuant to Company's policy, as adopted, as may be amended from time to time by the Company. The Company shall bear all expenses relating to the Employee’s use and maintenance of the phone attributed to the Employee under this Section.

16. Should the employee choose, the Company will provide the Employee with a car of make and model pursuant to the Car Leasing Agreement entered between the Employee and the Company on _ [date] _ (the "**Car Leasing Agreement**"). The Car shall belong to or be leased by the Company and shall be registered in the Company’s name for use by the Employee during the period of his employment with the Company. The Car will be returned to the Company by the Employee immediately after termination of the Employee's employment by the Company. Use by the Employee of the Car shall be made at all times only in accordance with the provisions of the Car Leasing Agreement and the Company's Car policy, as may be amended from time to time by the Company. The Employee shall bear all the personal tax consequences of the allocation of the Car to his benefit. Any expenses, payments or other benefits that are made in connection with the Car shall not be regarded as part of the Salary, for any purpose or matter, and no social benefits or other payments shall be paid on its account.

Without derogating from the terms of the Car Leasing policy, it is hereby clarified that the leasing amount and gasoline costs according to the Company’s policy, shall be deducted from the employees total compensation Salary (Base plus Additional Compensation – as laid out in Exhibit A) and that the salary after such deduction will be the basis for salary-basis entitlements.

15. Options and Equity. The Company may, from time to time, at its sole discretion, grant the Employee options (the "**Options**") to purchase shares of common stock, and/or shares of the Company's parent company (collectively: the "**Equity**"), DarioHealth Corp., a Delaware corporation (the "**Parent**"). The Equity grantss shall be subject to the terms of the Parent's 2020 Equity Incentive Plan and the 2020 Israeli Sub Plan thereto (together, the "**Plan**"), as may be amended from time to time, or any successor plans, and an Option Agreement or other suitable agreement as the case may be, to be executed between Parent and the Employee. The Employee acknowledges that he will be required to execute additional documents in compliance with the applicable tax laws and/or other applicable laws.

Subject to the approval of Parent's Board of Directors: the Employee shall be granted with 73,660 Restircted Shares of common stock ("**RSU**") of the Parent under the Parents 2020 Equity Incentive Plan and in accordance with Section 102 of the Israeli Tax Ordinance, under such terms derermined by the Board on the grant date. The RSUs will be released over a three years perio , with twelve equal quarterly installment during the three years following the grant date.

Employee will also be entitled to an additional grant of 73,660 RSUs on March 1st 2022 upon achieving the 2021 targets as defined in Exhibit A of this agreement. The RSUs will be granted under the Plan and will be released in twelve quarterly installments over a three years period commencing on March 1st 2022.

Employee will also be entitled to an additional grant of 73,660 RSUs on March 1st 2023 upon achieving the 2022 targets to be defined by the Company's Chief Executive Officer, by the beginning of 2022. The RSUs will be garnted under the plan and will be released in twelve quarterly installments over a three years period commencing on March 1st 2023.

All Options and the RSUs shall be governed in all respects by the terms of Company's 2020 Equity Incentive Plan. The RSUs grants are subject, in all respects, to the approval of the Parents Board of Directors.

Policies

16. Privacy; International Transfer of Information. Employee acknowledges that any communication equipment which may be provided by the Company (telephone, mobile phone, computer terminal or other communication equipment or software) is provided to Employee for the purpose of performing his duties as Company's employee, and undertakes to use such equipment accordingly. Employee further acknowledges such equipment is and shall remain property of the Company, and explicitly consents to Company conducting, at Company's reasonable discretion, routine and unannounced inspections of the use of the equipment, including inspections of e-mail transmissions, internet usage and the content thereof. Employee thus acknowledges that, in order to keep Employee's privacy, it would be advisable to avoid *any* personal use of the Company's equipment and facilities.

17. Employee understands and acknowledges that for internal corporate, HR, finance and enterprise reasons, Company may share, transfer, convey and make available certain personal information of the Employee (such as personal and demographic information, financial, personal records, or other personally identifiable information) (collectively: the "**Employee Information**") to the Parent and its respective personnel, consultants, advisors and officers. Employee further understands that Parent is operating outside the EEA and as such is not subject to privacy rules applicable in Israel and/or EEA. Nevertheless, Company shall take all reasonable efforts to make sure that the Parent maintains and treats the Employee Information in standards no les stringent than the privacy standards and requirements which apply to the Company.

Miscellaneous

18. The laws of the State of Israel shall apply to this Agreement and the sole and exclusive place of jurisdiction in any matter arising out of or in connection with this Agreement shall be the Tel-Aviv Regional Labor Court. The provisions of this Agreement are in lieu of the provisions of any collective bargaining agreement, and therefore, no collective bargaining agreement shall apply with respect to the relationship between the parties hereto (subject to the applicable provisions of law). No failure, delay or forbearance of either party in exercising any power or right hereunder shall in any way restrict or diminish such party's rights and powers under this Agreement, or operate as a waiver of any breach or nonperformance by either party of any terms or conditions hereof. In the event it shall be determined under any applicable law that a certain provision set forth in this Agreement is invalid or unenforceable, such determination shall not affect the remaining provisions of this Agreement, unless the business purpose of this Agreement is substantially frustrated thereby. The preface and exhibits to this Agreement constitute an integral and indivisible part hereof. This Agreement constitutes the entire understanding and agreement between the parties hereto, supersedes any and all prior discussions, agreements and correspondence with regard to the subject matter hereof, and may not be amended, modified or supplemented in any respect, except by a subsequent writing executed by both parties hereto. The Employee acknowledges and confirms that all terms of the Employee's employment are personal and confidential, and undertake to keep such terms in confidence and refrain from disclosing such terms to any third party. All references to applicable law are deemed to include all applicable and relevant laws and ordinances and all regulations and orders promulgated there under, unless the context otherwise requires. The parties agree that this Agreement constitutes, among others, notification in accordance with the Notice to Employees (Employment Terms) Law, 2002. Nothing in this Agreement shall derogate from the Employee’s rights according to any applicable law, extension order, collective agreement or other agreement with respect to the terms of Employee’s employment.

19. Employee waives and irrevocably releases Upright, the Company and/or the Parent and/or their assigns and heirs, from any claims demands and/or suits which Employee and/or anyone on his behalf has, may have and/or may have had with respect to his employment by Upright, whether or not known to Employee at the *Commencement Date*.

IN WITNESS WHEREOF the parties hereto have signed this Agreement as of the date first hereinabove set forth.

/s/ Oded Cohen	/s/ Oded Cohen
Upright Technologies Ltd.	Oded Cohen

Acknowledged

/s/ Zvi Ben-David
Labstyle Innovation Ltd.

Exhibit A

To the Personal Employment Agreement by and between

Upright Technologies Ltd. and the Employee whose name is set forth herein

1. Name of Employee:	Oded Cohen
2. I.D. No. of Employee:	13518931
3. Address of Employee:	Hatomer 36, Savion, Israel
4. Position in the Company:	GM MSK
5. Under the Direct Direction of:	[_____]
6. Commencement Date:	February 1, 2021
7. Notice Period:	4 months
8. Base Salary:	NIS 50,400
9. Additional Compensation:	NIS 12,600
10. Annual Bonus	Up to 4 monthly Salaries.
11. Vacation Days Per Year:	22
12. Travel Allowance	As determined under applicable law
13. Sick Leave Days Per Year:	The Employee should be entitled to fully paid sick leave pursuant to applicable sick law.
14. 2021 targets	1. Recognized revenues of $16.5 million 2. MSK offering ready to be sold July 1st into the employers market 3. 1 Employer signing on the solution second half of 2021 4. Employee retention 80%, building management position until end of June 2021, hiring at elast 2 key knowledge roles (e.g. product) from the competition. each target of the above will represent an achievement of 25% from the 2021 targets

Exhibit B

To the Personal Employment Agreement by and between
Upright Technologies Ltd. and the Employee whose name is set forth herein

Name of Employee: **Oded Cohen**

I.D. No. of Employee: 13518931

Date: **February 1, 2021** (the "**Commencement Date**")

General

1. Capitalized terms herein shall have the meanings ascribed to them in the Agreement to which this Exhibit is attached (the "**Agreement**"). For purposes of any undertaking of the Employee toward the Company, the term "Company" shall include any parent company, subsidiaries and affiliates of the Company. The Employee's obligations and representations and the Company's rights under this Exhibit shall apply as of the Commencement Date, regardless of the date of execution of the Agreement.

Confidentiality; Proprietary Information

2. "**Proprietary Information**" means confidential and proprietary information concerning the business and financial activities of the Company, including, without limitation, patents, patent applications, trademarks, copyrights and other intellectual property, and information relating to the same, technologies and products (actual or planned), know how, inventions, research and development activities, inventions, trade secrets and industrial secrets, and also confidential commercial information such as investments, investors, employees, customers, suppliers, marketing plans, etc., all the above - whether documentary, written, oral or computer generated. Proprietary Information shall also include information of the same nature which the Company may obtain or receive from third parties.

3. Proprietary Information shall be deemed to include any and all proprietary information disclosed by or on behalf of the Company and irrespective of form but excluding information that (i) was known to Employee prior to Employee's association with the Company, as evidenced by written records; (ii) is or shall become part of the public knowledge except as a result of the breach of the Agreement or this Exhibit by Employee; (iii) reflects general skills and experience; or (iv) reflects information and data generally known in the industries or trades in which the Company operates.

4. Employee recognizes that the Company received and will receive confidential or proprietary information from third parties, subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. In connection with such duties, such information shall be deemed Proprietary Information hereunder, *mutatis mutandis*.

5. Employee agrees that all Proprietary Information, and patents, trademarks, copyrights and other intellectual property and ownership rights in connection therewith shall be the sole property of the Company and its assigns. At all times, both during the employment relationship and after the termination of the engagement between the parties, Employee will keep in confidence and trust all Proprietary Information, and will not use or disclose any Proprietary Information or anything relating to it without the written consent of the Company, except as may be necessary in the ordinary course of performing Employee's duties under the Agreement.

6. Upon termination of Employee's engagement with the Company, Employee will promptly deliver to the Company all documents and materials of any nature pertaining to Employee's engagement with the Company, and will not take with him any documents or materials or copies thereof containing any Proprietary Information.

7. Employee's undertakings set forth in Section 1 through Section 6 shall remain in full force and effect after termination of the Agreement or any renewal thereof.

Disclosure and Assignment of Inventions

8. "**Inventions**" means any and all inventions, improvements, designs, concepts, techniques, methods, systems, processes, know how, computer software programs, databases, mask works and trade secrets, whether or not patentable, copyrightable or protectable as trade secrets; "**Company Inventions**" means any Inventions that are made or conceived or first reduced to practice or created by Employee, whether alone or jointly with others, during the period of Employee's engagement with the Company, and which are: (i) developed using equipment, supplies, facilities or Proprietary Information of the Company, (ii) result from work performed by Employee for the Company, or (iii) related to the field of business of the Company, or to current or anticipated research and development.

9. Employee hereby confirms that all rights that he may have in all Company's Inventions, are and have been from inception, in the sole ownership of the Company. If ever any doubt shall arise as to the Company's rights or title in any Company Invention and it shall be asserted that the Employee, allegedly, is the owner of any such rights or title, then Employee hereby irrevocably transfer and assign in whole to the Company without any further royalty or payment any and all rights, title and interest in any and all Company Inventions. Employee has listed below in this Section 9 a complete list of all Inventions to which he claim ownerships (the "**Prior Inventions**") and that he desires to remove from the operation of this Agreement, and acknowledges and agrees that such list is complete. If no such list is attached to this Agreement, Employee represents that he has no such Inventions at the time of signing this Agreements. The Prior Inventions, if any, patented or unpatented, are excluded from the scope of this Agreement. If, in the course of employment with the Company, Employee incorporates a Prior Invention into a Company product, process or machine, the Company is hereby granted and shall have a nonexclusive, royalty-free, irrevocable, perpetual, worldwide license (with rights to sublicense through multiple tiers of sublicensees) to make, have made, modify, use and sell such Prior Invention. Notwithstanding the foregoing, Employee agrees that he will not incorporate, or permit to be incorporated, Prior Inventions in any Company Inventions without the Company's prior written consent. Employee hereby represents and undertakes that none of his previous employers or any entity with whom he was engaged, has any rights in the Inventions or Prior Inventions and such employment with the Company will not grant any of them any right in the results of the Employee's work.

Prior Inventions: ***[fill-in, if any.]***

---

10. Employee undertakes and covenants he will promptly disclose in confidence to the Company all Inventions deemed as Company Inventions. The Employee agrees and undertakes not to disclose to the Company any confidential information of any third party and, in the framework of his employment by the Company, not to make any use of any intellectual property rights of any third party.

11. Employee hereby irrevocably transfers and assigns to the Company all worldwide patents, patent applications, copyrights, mask works, trade secrets and other intellectual property rights in any Company Invention, and any and all moral rights that he may have in or with respect to any Company Invention. For the removal of any doubt, it is hereby clarified that the provisions concerning assignment of Company Inventions contained in Section 8 and this Section 11 will apply also to any "Service Inventions" as defined in the Israeli Patent Law, 1967 (the "**Patent Law**"). However, in no event will such Service Invention become the property of the Employee and the provisions contained in Section 132(b) of the Patent Law shall not apply unless the Company provides in writing otherwise. The Employee will not be entitled to royalties or other payment with regard to any Company Inventions, Service Inventions or any of the intellectual property rights set forth above, including any commercialization of such Company Inventions, Service Inventions or other intellectual property rights. The Employee irrevocably confirms that the consideration explicitly set forth in the employment agreement is in lieu of any rights for compensation that may arise in connection with the Inventions under applicable law and the employee hereby expressly and irrevocably confirms that the provisions contained in Section 134 of the Patent Law shall not apply and he waives any right to claim royalties or other consideration with respect to any Invention.

12. Employee agrees to assist the Company, at the Company's expense, in every proper way to obtain for the Company and enforce patents, copyrights, mask work rights, and other legal protections for the Company Inventions in any and all countries. Employee will execute any documents that the Company may reasonably request for use in obtaining or enforcing such patents, copyrights, mask work rights, trade secrets and other legal protections. Such obligation shall continue beyond the termination of Employee's engagement with the Company. Employee hereby irrevocably designates and appoints the Company and its authorized officers and agents as Employee's agent and attorney in fact, coupled with an interest to act for and on Employee's behalf and in Employee's stead to execute and file any document needed to apply for or prosecute any patent, copyright, trademark, trade secret, any applications regarding same or any other right or protection relating to any Proprietary Information (including Company Inventions), and to do all other lawfully permitted acts to further the prosecution and issuance of patents, copyrights, trademarks, trade secrets or any other right or protection relating to any Proprietary Information (including Company Inventions), with the same legal force and effect as if executed by Employee himself.

Non-Competition

13. In consideration of Employee's terms of employment hereunder, which include special compensation for his undertakings under this Section 13 and the following Section 14, and in order to enable the Company to effectively protect its Proprietary Information, Employee agrees and undertakes that he will not, so long as the Agreement is in effect and for a period of twelve (12) months following termination of the Agreement, for any reason whatsoever, directly or indirectly, in any capacity whatsoever, engage in, become financially interested in, be employed by, or have any connection with any business or venture that is engaged in any activities competing with the activities of the Company. Employee hereby acknowledges and agrees that the Salary and social benefits to which the Employee is or shall be entitled to, if any, as set forth in the Agreement, is set to a level which reflects adequate compensation sufficient to reimburse prejudice, if any, including but not limited to any of Employee's legitimate rights and interests. Employee further warrants and represents that the Special Non-Competition Monthly Compensation (as defined in the Agreement) constitutes a real, appropriate and full consideration to any prejudice Employee may suffer due to his non-competition undertakings and obligations set forth in this Exhibit, including but not limited to restriction of his freedom of employment.

14. Employee agrees and undertakes that during the employment relationship and for a period of twelve (12) months following termination of this engagement for whatever reason, Employee will not, directly or indirectly, including personally or in any business in which Employee may be an officer, director or shareholder, solicit for employment any person who is employed by the Company, or any person retained by the Company as a consultant, advisor or the like who is subject to an undertaking towards the Company to refrain from engagement in activities competing with the activities of the Company (for purposes hereof, a "**Consultant**"), or was retained as an employee or a Consultant during the six months preceding termination of Employee's employment with the Company.

Reasonableness of Protective Covenants

15. Insofar as the protective covenants set forth in this Exhibit are concerned, Employee specifically acknowledges, stipulates and agrees as follows: (i) the protective covenants are reasonable and necessary to protect the goodwill, property and Proprietary Information of the Company, and the operations and business of the Company; and (ii) the time duration of the protective covenants is reasonable and necessary to protect the goodwill and the operations and business of Company, and does not impose a greater restrain than is necessary to protect the goodwill or other business interests of the Company. Nevertheless, if any of the restrictions set forth in this Exhibit is found by a court having jurisdiction to be unreasonable or overly-broad as to geographic area, scope or time or to be otherwise unenforceable, the parties hereto intend for the restrictions set forth in this Exhibit to be reformed, modified and redefined by such court so as to be reasonable and enforceable and, as so modified by such court, to be fully enforced.

Remedies for Breach

16. Employee acknowledges that the legal remedies for breach of the provisions of this Exhibit may be found inadequate and therefore agrees that, in addition to all of the remedies available to Company in the event of a breach or a threatened breach of any of such provisions, the Company may also, in addition to any other remedies which may be available under applicable law, obtain temporary, preliminary and permanent injunctions against any and all such actions.

Intent of Parties

17. Employee recognizes and agrees: (i) that this Exhibit is necessary and essential to protect the business of Company and to realize and derive all the benefits, rights and expectations of conducting Company’s business; (ii) that the area and duration of the protective covenants contained herein are in all things reasonable; and (iii) that good and valuable consideration exists under the Agreement, for Employee's agreement to be bound by the provisions of this Exhibit.

IN WITNESS WHEREOF the Employee has signed this Agreement as of the date first hereinabove set forth.

/s/ Oded Cohen
Oded Cohen

Exhibit 10.20

Confidential

SHARE PURCHASE AGREEMENT

Among

LABSTYLE INNOVATION LTD.

DARIO HEALTH CORP.

UPRIGHT TECHNOLOGIES LTD.

VERTEX V (C.I.) FUND L.P., AS HOLDER REPRESENTATIVE

and

THE SELLING SHAREHOLDERS

Dated as of January 27, 2021

Exhibits and Schedules

Exhibit A - Escrow Agreement
Exhibit B - Written Declaration of Loss or Destruction
Exhibit C - Share Transfer Deeds
Exhibit D - Director Resignation Letters
Exhibit E - Company Closing Certificate
Exhibit F – Form of Lock-Up Agreement
Exhibit G – Employment Agreement
Exhibit H – Holdback Agreement
Exhibit I – Legal Opinion

Schedule 1 - Selling Shareholders
Schedule 2 – Knowledge Group

SHARE PURCHASE AGREEMENT

THIS SHARE PURCHASE AGREEMENT (this "Agreement"), dated as of January 27, 2021 (the "Effective Date"), is entered into by and among Labstyle Innovation Ltd., an Israeli company ("Purchaser") and a wholly-owned subsidiary of Dario Health Corporation, a Delaware corporation ("Parent"), UpRight Technologies Ltd., an Israeli company (the "Company"), Vertex V (C.I.) Fund L.P., solely in its capacity as the representative of the Indemnifying Persons (the "Holder Representative"), and each of the Persons identified on Schedule 1 (the "Selling Shareholders").

WHEREAS each Selling Shareholder is the record owner of the number of Company Shares (as defined below) set forth opposite such Selling Shareholder's name on Section 3.03(a) of the Company Disclosure Schedule;

WHEREAS the Selling Shareholders are the record owners of, in the aggregate, 100% (one hundred percent) of the issued and outstanding Company Shares;

WHEREAS the Parties intend, subject to the terms and conditions herein, to effect an acquisition by Parent, through the Purchaser, of all of the issued and outstanding share capital of the Company, by way of a share purchase of all of the issued and outstanding share capital of the Company;

WHEREAS as further provided in this Agreement, Purchaser shall have certain indemnification rights against the Indemnifying Persons (as defined below), and will deposit with the Escrow Agent the Escrow Fund otherwise payable by Purchaser to the Indemnifying Persons as security for indemnification obligations, which shall be held in accordance with the provisions of an escrow agreement in substantially the form attached hereto as Exhibit A (the "Escrow Agreement");

WHEREAS, the board of directors of the Company (the "Company Board of Directors") and the Selling Shareholders have carefully considered the terms of this Agreement and have determined that the terms and conditions of the transactions contemplated hereby, including the Transactions, are fair to and in the best interests of, and are advisable to, the Company and the Equityholders (as defined below), and the Company Board of Directors unanimously recommended that the Selling Shareholders vote for the approval of this Agreement and the transactions contemplated hereby and will be submitting the execution and delivery of this Agreement and the performance of the transaction contemplated hereby to the Selling Shareholders for their approval and adoption in accordance with the Articles and the Companies Law (the "Shareholders Resolution[1]"); and

WHEREAS, concurrently with the execution and delivery of this Agreement, the Key Executive is executing and delivering to Purchaser or Parent, as applicable (1) an employment agreement in the form attached hereto as Exhibit G (the "Employment Agreement"), and (2) a holdback agreement, solely with respect to the Key Executive (the "Holdback Agreement"), in the form attached hereto as Exhibit H, in each case to be effective as of the Closing Date.

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth herein, the Parties hereto, intending to be legally bound, agree as follows:

[1] TBD whether this would be done via POAs.

ARTICLE I

DEFINITIONS

Section 1.01 Certain Definitions.

As used in this Agreement, the following terms have the following meanings:

"104H Interim Ruling" shall mean an interim approval confirming, among other matters, that Parent and anyone acting on its behalf shall be exempt from Israeli withholding Tax in relation to any payments made with respect to an Electing Holder.

"104H Tax Ruling" shall have the meaning ascribed to such term in Section 2.09(c).

"102 Trustee" shall mean a trustee appointed by the Company and approved by the ITA to act as a trustee of the Company Option Plan for the purposes of Section 102.

"Accounts Receivable" means (a) all trade accounts receivable and other rights to payment from customers of the Company, including all trade accounts receivable representing amounts receivable in respect of goods shipped or products sold or services rendered to customers of the Company; and (b) all other accounts or notes receivable of the Company.

"Acquired Companies" means, collectively, the Company and each of its Subsidiaries.

"Acquisition Proposal" means, other than the Transactions or any alternative transaction proposed by Purchaser or Parent, any transaction or series of transactions involving: (i) the sale, exclusive license, disposition or acquisition of all or any portion of the business of or more than 10% of the assets of the Acquired Companies, (ii) the issuance, disposition or acquisition of (a) any shares or other equity security of any Acquired Company (other than in connection with the Transactions or the exercise or conversion of any Company Preferred Shares, Company Option, Company Warrant or any other convertible securities of the Company), (b) any subscription, option, call, warrant, preemptive right, right of first refusal or any other right (whether or not exercisable) to acquire any shares or other equity security of any Acquired Company, or (iii) any merger, consolidation, business combination, reorganization or similar transaction involving any Acquired Company.

"Affiliate" means, with respect to any Person, any Person directly or indirectly Controlling, Controlled by or under common Control with, such Person; provided that with respect to any venture capital fund the term "Affiliate" shall not include any portfolio company that may otherwise fall under the definition of "Affiliate".

"Agreed Amount" shall have the meaning ascribed to such term in Section 11.04.

"Aggregate Consideration" means (i) the Base Closing Consideration, *plus* (ii) the Company Cash, *less* (iii) the Company Debt, *plus* (iv) any Working Capital Excess, *less* (v) any Working Capital Deficit, *less* (vi) the Transaction Expenses *plus* (vii) the aggregate exercise price for all Assumed Options.

"Aggregate Indemnity Amount" shall mean the sum of the Escrow Fund.

"Annual Financial Statements" shall have the meaning ascribed to such term in Section 3.06.

"Antitrust Filing" shall have the meaning ascribed to such term in Section 6.04.

"Articles" means the Amended and Restated Articles of Association of the Company, as amended from time to time.

"Assumed Options" shall have the meaning ascribed to such term in Section 2.10.

"Audit" means any audit, assessment, or other inquiry or examination relating to Taxes by any Tax Authority.

"Base Closing Consideration" means an amount equal to $29,500,000.

"Business" means the business of the Acquired Companies as currently conducted or as currently contemplated to be conducted, in the absence of the Transactions and implication thereon on the Company's proposed business following the Closing (if any).

"Business Day" means any day that is not a Friday, Saturday, Sunday or other day on which banks are required to be closed in the State of New York or in the State of Israel.

"Change of Control Payments" means any amount payable by an Acquired Company pursuant to an obligation by such Acquired Company under a plan or agreement of any of the Acquired Companies in effect prior to the Closing to any Person (including any Company Employee or former employees of the Company) as a result of or in connection with the Transactions, including to the extent attributed to the acceleration or early vesting of any right or benefit or lapse of any restriction as a result of or in connection with the Transactions (other than acceleration of Company Options in effect on the Effective Date and as disclosed in the Company Disclosure Schedule); but excluding in all cases: (a) any Transaction Expenses; and (b) any payments made pursuant to obligations of the Company in this Agreement.

"Claimed Amount" shall have the meaning ascribed to such term in Section 11.04.

"Closing" shall have the meaning ascribed to such term in Section 2.12.

"Closing Date" shall have the meaning ascribed to such term in Section 2.12.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company Balance Sheet" means the balance sheet included in the Interim Financial Statements.

"Company Benefit Arrangements" shall have the meaning set forth in Section 3.16.

"Company Board of Directors" shall have the meaning ascribed to such term in the Recitals.

"Company Cash" shall mean, as of the Closing Date, without duplication, the aggregate of all the Company's and the Subsidiaries' cash and cash equivalents in hand and, to the extent not already reflected in cash and cash equivalents, all cash deposits (including cash deposit with any financial, banking, lending or other similar institution as recorded in banking statements), in each case as determined in accordance with GAAP.

"Company Closing Certificate" shall have the meaning ascribed to such term in Section 8.02.

"Company Debt" shall mean as of the Closing Date, without duplication, the Indebtedness of the Company, whether or not recognized as such in accordance with GAAP, and including those resulting from (or otherwise becoming due pursuant to) the transactions contemplated hereunder.

"Company Disclosure Schedule" means the disclosure schedules of the Company regarding this Agreement that has been delivered by the Company to Purchaser concurrently herewith.

"Company Employee" means any current employee of the Acquired Companies.

"Company Employee Plan" shall mean any plan, program, policy, practice, Contract or other arrangement providing for compensation, severance, termination pay, deferred compensation, performance awards, stock or stock-related awards, fringe benefits or other employee benefits or remuneration of any kind, whether written, unwritten or otherwise, funded or unfunded, that is or has been maintained, contributed to, or is required to be contributed to, by the Acquired Companies for the benefit of any Company Employee or former employee, or with respect to which any Acquired Company has or may have any liability or obligation.

"Company Intellectual Property" means all Intellectual Property used or held for use in the Business by the Acquired Companies as of or prior to the Closing.

"Company Intellectual Property Registrations" means all of the Intellectual Property Registrations owned by, under obligation of assignment to or filed in the name of, the Acquired Companies or otherwise pertaining to any Company Intellectual Property.

"Company Intellectual Property Rights" means all of the Intellectual Property Rights of the Acquired Companies.

"Companies Law" means the Companies Law 5759-1999 of the State of Israel.

"Company Option" shall have the meaning ascribed to such term in Section 3.03.

"Company Optionholder" means a holder of a Company Option.

"Company Option Plan" means the Company's 2015 Israeli Share Option Plan and the US Addendum thereto, as amended from time to time.

"Company Ordinary Shares" means the ordinary shares of the Company, nominal value NIS 0.01 each.

"Company Patents" means the Patents included in the Company Registered Intellectual Property.

"Company Preferred Shares" means the preferred shares of the Company, including the Preferred Seed Shares, Preferred A Shares and the Preferred B Shares.

"Company Products" means all products, devices, controllers, architecture, technology, software, firmware or service offerings of the Company that have been marketed, sold, or distributed prior to the Effective Date by or on behalf of the Company, including any such products, devices, controllers, architecture, technology, software, firmware or service offerings which are under development.

"Company Registered Intellectual Property" means all of the Intellectual Property covered by the Company Intellectual Property Registrations.

"Company Shares" means collectively, the Company Ordinary Shares and the Company Preferred Shares.

"Company Warrantholder" means a holder of a Company Warrant.

"Company Warrants" means each warrant to purchase Company Shares, outstanding prior to Closing.

"Confidential Information" means all information constituting or relating to Intellectual Property relating to the Company, product development, price, customer and supplier lists, pricing and marketing plans, policies and strategies, details of client and Contractor contracts, operations methods, product development techniques, business acquisition plans, new personnel acquisition plans and all other confidential or proprietary information with respect to the Company and its customers and vendors and all such similar information of Purchaser received by the Company and its respective Representatives in connection with this Agreement; *provided, however*, "Confidential Information" shall not include information which (i) is or becomes generally available to the public or general industry knowledge other than as a result of a breach of this Agreement by any Party; and (ii) is or becomes available to any Party on a non-confidential basis from a source other than the Company, *provided*, that such Party can demonstrate that such source was not known by such Party to be bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation of confidentiality to the disclosing party or any other party with respect to such information.

"Consent" means any approval, consent, ratification or permission.

"Contested Amount" shall have the meaning ascribed to such term in Section 11.04.

"Consideration Allocation Certificate" means a spreadsheet that shall be delivered to the Purchaser three (3) Business Days prior to the Closing Date and shall set forth, as of the Closing Date, the following factual information relating to each Equityholder: (i) the names of all Selling Shareholders, their addresses, e-mail address, telephone number, and Israeli identification numbers (if available) of such Selling Shareholder (to the extent the Company has such information); (ii) the number (and class) of Company Shares held by each holder of Company Shares (including any Company Shares issued pursuant to the exercise of Company Warrants); (iii) the number of Vested Company Options held by each Company Optionholder; (iv) the number of Unvested Company Options held by each Company Optionholder and indicating the number of Unvested Company Options held by Company Employee; (v) the number of Promised Options held by each Company Employee and Contractors; (v) the portion of the Aggregate Consideration payable to each Selling Shareholder; (vi) the calculation of the Indemnity Pro Rata Share in the Escrow Fund with respect to each Indemnifying Person; and (vii) solely with respect to the Key Executive, the Key Executive Share Consideration in accordance with the terms of the Holdback Agreement.

"Consideration Shares" mean Parent Common Stocks, provided, however, that in the event that the Consideration Shares to be paid as the Shareholders Consideration would have otherwise reflected, On the Closing Date, more than 19.99% of Parent's share capital on a fully diluted basis (the "Equity Blocker"), then the class of securities issued as Consideration Shares up to the Equity Blocker shall be Parent Common Stock, and the class of any securities issued as Consideration Shares in excess of the Equity Blocker shall be Parent Preferred Stock.

"Contractor" shall have the meaning ascribed to such term in Section 3.16(d).

"Contracts" means any and all legally binding written or oral contracts or other agreements or understandings (including all schedules, annexes and exhibits thereto, and all amendments, waivers, change orders and statements of work or the like related thereto) of any nature to which the Company is currently a party or by which any of the assets of the Company are currently bound, including loans, letters of credit, guarantees, leases, notes, indentures, security or pledge agreements, franchise agreements, master service contracts, purchase orders, work orders, statements of work, non-disclosure agreements, alliance/partner agreements, licenses, instruments, commitments, covenants not to compete, covenants not to sue, change of control agreements, employment agreements or settlement agreements.

"Control" (including, with correlative meaning, the terms "controlling", "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of management and policies of such Person through the ownership of more than fifty percent (50%) of the voting securities, by contract or otherwise.

"Copyleft License" means any license that requires, as a condition of use, modification and/or distribution of software or other Intellectual Property, that such software or Intellectual Property, or other software or other Intellectual Property incorporated into, derived from, used, or distributed with such software or Intellectual Property: (i) in the case of software, be made available or distributed in a form other than binary (e.g., source code form), (ii) be licensed for the purpose of preparing derivative works, (iii) be licensed under terms that allow the Company Products or portions thereof or interfaces therefor to be reverse engineered, reverse assembled or disassembled (other than by operation of law), or (iv) be redistributable at no license fee. Copyleft licenses include without limitation the GNU General Public License, the GNU Lesser General Public License, the Mozilla Public License, the Common Development and Distribution License, the Eclipse Public License, and all Creative Commons "sharealike" licenses.

"Copyleft Materials" means any software or other Intellectual Property subject to a Copyleft License.

"Documents" means this Agreement (including the Company Disclosure Schedule), the Escrow Agreement, the Payment Agent Agreement, and any other certificates or agreements delivered pursuant hereto or thereto.

"Domain Names" means registered Internet domain names.

"Effective Parent Stock Price" means the volume weighted average of the closing sale prices for one share of Parent Common Stock as quoted on the NASDAQ Global Select Market over the five Trading Days ending on the Effective Date, providing, however, that the Effective Parent Stock Price shall in no event be less than US$10.48 nor exceed US$15.72.

"Environmental Laws" means all applicable foreign, federal, state, district and local Laws currently in effect relating to pollution or protection of the environment, including (a) emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, industrial materials, wastes or other substances into the environment; (b) the identification, generation, manufacture, processing, distribution, use, treatment, storage, disposal, recovery, transport or other handling of Hazardous Materials, (c) the health and safety of persons (including employees) or property; and (d) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Toxic Substances Control Act, the Hazardous Materials Transportation Act, the Resource Conservation and Recovery Act, the Clean Water Act, the Safe Drinking Water Act, the Clean Air Act, the Occupational Safety and Health Act, the Federal Insecticide, Fungicide, Rodenticide Act, the Atomic Energy Act, the Emergency Planning and Community Right-to- Know Act or any similar applicable Israeli or foreign Law.

"Equity Exchange Ratio" shall have the meaning ascribed to such term in the Consideration Allocation Certificate.

"Equityholder" means holder of (i) Company Shares, (ii) Company Options, (iii) Promised Options or (iv) Company Warrants.

"Equityholder Claim" shall have the meaning ascribed to such term in Section 2.06.

"Escrow Fund" means the Special IP Escrow Fund *plus* the Regular Escrow Fund.

"Escrow Agreement" shall have the meaning ascribed to such term in the Recitals.

"Escrow Agent" means an escrow agent selected by the Purchaser with the reasonable consent of the Company.

"Escrow Period" means a Period of 6 months commencing on the Closing Date, and solely with respect to the Sales Tax Escrow a Period of 12 months commencing on the Closing Date.

"Financial Statements" means, collectively, the Annual Financial Statements and the Interim Financial Statements.

"Fully Diluted Equity Securities" shall have the meaning ascribed to such term in Section 2.03.

"Fundamental Documents" means articles of association or certificate of incorporation and bylaws, , including all amendments thereto, as existing on the Effective Date.

"GAAP" means U.S. generally accepted accounting principles.

"General Enforceability Exceptions" shall have the meaning ascribed to such term in Section 3.02.

"Governmental Authority" means any Israeli, United States or foreign government, any state or provincial or other political subdivision thereof, any province, city or municipality, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including the Securities and Exchange Commission, the ITA, IRS or any other United States or foreign government authority, agency, department, board, commission or instrumentality of the United States or Israel, any state of the United States or any political subdivision thereof or any foreign jurisdiction, and any court, tribunal or arbitrator(s) of competent jurisdiction, and any United States or foreign governmental or non-governmental self-regulatory organization, agency or authority.

"Hazardous Materials" means all pollutants, contaminants, chemicals, wastes, and any other infectious, carcinogenic, ignitable, corrosive, reactive, toxic or otherwise hazardous substances or materials (whether solids, liquids or gases) subject to regulation or remediation under applicable Environmental Laws. The term "Hazardous Materials" includes petroleum and/or petroleum by-products, urea formaldehyde, flammable, explosive and radioactive materials, radon gas, PCBs, pesticides, herbicides, asbestos, silica, acids, metals and solvents.

"Holder Representative" shall have the meaning ascribed to such term in the Recitals.

"Indebtedness"[2] of any Person means, without duplication, (a) all obligations of such Person for borrowed money; (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments for the payment of which such Person is responsible or liable; (c) all reimbursement obligations of such Person with respect to letters of credit and similar instruments; (d) all obligations of such Person under conditional sale or other title retention agreements relating to property or assets purchased by such Person; (e) all obligations of such Person incurred, issued or assumed as the deferred purchase price of property other than accounts payable incurred and paid on terms customary in the business of such Person (it being understood that the "deferred purchase price" in connection with any purchase of property or assets shall include only that portion of the purchase price which shall be deferred beyond the date on which the purchase is actually consummated); (f) all obligations secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed; (g) all obligations of such Person under forward sales, futures, options, swaps, collars, caps and other similar hedging arrangements (including interest rate hedging or protection agreements); (h) all obligations of such Person to purchase or otherwise pay for merchandise, materials, supplies, services or other property under an arrangement which provides that the entire payment for such merchandise, materials, supplies, services or other property shall be made regardless of whether delivery of such merchandise, materials, supplies, services or other property is ever made or tendered; (i) all guaranties by such Person of obligations of others; and (j) all liabilities of such Person under leases required to be accounted for as capital leases under GAAP. Notwithstanding the foregoing, Indebtedness shall not include (i) any deferred revenues or obligations under cash deposits held back by the Company's bank to secure bank guarantees provided under any lease agreements or payments under the Company's credit cards, and (ii) that certain Bridge Loan by and between the Company and the Parent, dated as of December 23, 2020.

[2] NTD: subject to further review of the Company's accountants.

"Indemnifying Persons" shall have the meaning ascribed to such term in Section 10.02.

"Indemnity Pro Rata Share" shall mean with respect to each Indemnifying Person the quotient obtained by dividing: (w) the portion of the Aggregate Consideration payable to such Indemnifying Person under this Agreement for Company Shares held by such Indemnifying Person as of the Closing (including the Key Executive Share Consideration for the Key Executive being deemed for this purpose to have been issued in its entirety to such Key Executive at the Closing and having an aggregate dollar value as of the Closing equal to the Key Executive Share Value), by (x) the Aggregate Consideration payable to all Indemnifying Persons as of the Closing (in each case giving no effect to any withholdings pursuant to Section 2.09 or to any indemnification obligation pursuant to Article X) (including the Key Executive Share Consideration for the Key Executive being deemed for this purpose to have been issued in its entirety to such Key Executive at the Closing and having an aggregate dollar value as of the Closing equal to the Key Executive Share Value).

"Insurance Policies" shall have the meaning ascribed to such term in Section 3.20.

"Intellectual Property" means all (a) technology, including without limitation technology embodied in or relating to semiconductor devices, microprocessors, controllers, integrated circuits, and all components thereof including technology and processes for manufacturing, testing and validation, proprietary information and materials, and inventions (whether or not patentable or reduced to practice) and invention disclosures; (b) trade secrets, confidential and proprietary information, know-how, methodologies, processes, technical data, customer lists, customer contact information, and customer licensing and purchasing histories, manufacturing information, business plans, product roadmaps; (c) databases and data collections, computer programs, software (including all source code and object code), models, firmware, algorithms and implementations thereof, development tools, flow charts, programmers' annotations and notes, product user manuals, and other work product used to design, plan, organize, maintain, support or develop any of the foregoing, irrespective of the media on which it is recorded, product designs, reference designs and product specifications and documentation, mask works, integrated circuit topographies, works of authorship of any kind (whether or not published); (d) trademarks, service marks, product names, product packaging, trade dress, designations of origin, trade names and logos relating to any of the foregoing; and (e) improvements, modifications, enhancements, revisions and releases relating to any of the foregoing.

"Intellectual Property Contracts" shall have the meaning ascribed to such term in Section 3.13.

"Intellectual Property Registrations" means all: (i) Patents, including applications therefor; (ii) registered Trademarks and applications therefor, including intent-to-use applications; (iii) Copyright registrations and applications therefor; (iv) Domain Name registrations; (v) mask works and integrated circuit topography registrations and applications therefor; (vi) industrial design registrations and applications therefor; and (vii) other applications, certificates, filings, registrations or other documents issued by, filed with, or recorded by, any private, state, Governmental Authority or other public or quasi-public legal authority in connection with any Intellectual Property Rights.

"Intellectual Property Rights" means all worldwide common law and statutory rights in Intellectual Property arising from and/or associated with the Company Product, including the following: (i) United States and foreign patents and utility models and applications therefor and all reissues, divisionals, re-examinations, renewals, extensions, provisionals, continuations and continuations-in-part thereof ("Patents"); (ii) trade secrets, confidential information, know-how and proprietary information arising from or relating to Intellectual Property ("Trade Secrets"); (iii) copyrights, copyrights registrations and all applications therefor and renewals thereof, and all other rights corresponding thereto throughout the world arising from or relating to Intellectual Property ("Copyrights"); (iv) Domain Names; (v) industrial design rights; (vi) trade names, logos, slogans, trade dress, common law trademarks and service marks and goodwill associated with any of the foregoing ("Trademarks"); (vii) mask work and integrated circuit topography and registrations and applications therefor; (viii) moral and economic rights of authors and inventors, however denominated; and (ix) industrial designs and any registrations and applications therefor.

"Interim Financial Statements" shall have the meaning ascribed to such term in Section 3.06.

"Interim Option Ruling" shall have the meaning ascribed to such term in Section 2.11.

"Invention Assignment Agreements" shall have the meaning ascribed to such term in Section 3.13.

"IRS" means the Internal Revenue Service of the United States, or any successor agency thereto, including its agents, representatives, and attorneys.

"Israeli Securities Law" means the Israeli Securities Law, 1968, as amended, and the rules and regulations promulgated thereunder.

"Israeli Option Tax Ruling" shall have the meaning ascribed to such term in Section 2.11.

"ITA" means the Israel Tax Authority.

"Key Executive Share Consideration" means an aggregate number of shares of Parent Common Stock issued or issuable to the Key Executive pursuant to, and subject to the terms and conditions of, the Holdback Agreement between such Key Executive and Parent, which is equal to the Key Executive Share Value.

"Key Executive Share Value" means an aggregate amount of value equal to 30% of the entire Consideration Shares of the Key Executive (which, solely for attribution purposes, shall be attributed to Ordinary Shares held by Key Executive prior to Closing).

"Key Executive(s)" means Oded Cohen.

"Knowledge" means, (a) with respect to the Company, (i) the actual knowledge of the individuals listed on Schedule 2 (the "Knowledge Group"), and (ii) the facts or circumstances that would be known after reasonable inquiry by the individuals listed on Schedule 2, in each case which is reasonable in the course of preforming such individual's duties; and (b) with respect to any other Person, the actual knowledge of such Person.

"Latest Balance Sheet Date" shall have the meaning ascribed to such term in Section 3.06.

"Law" means each provision of any currently existing applicable Israeli, federal, provincial, state, local or foreign law, statute, bylaw, ordinance, order, code, rule or regulation, promulgated or issued by any Governmental Authority, as well as any judgments, decrees, injunctions or agreements issued or entered into by any Governmental Authority and the principles of common law of any applicable jurisdiction.

"Lease(s)" means all leases, subleases (including where an Acquired Company is the sublessor), licenses, sublicenses or other agreements pursuant to which the Acquired Companies use or occupy, or have the right to use or occupy, any of the Leased Real Property, and all rights associated therewith.

"Leased Real Property" means the real property leased or licensed in the name of the Acquired Companies or used or held for use primarily in connection with the conduct of the Business, as now conducted.

"Liability" or "Liabilities"[3] means any and all debts, liabilities, payables, commitments, obligations, and the costs or expenses related thereto, whether absolute or contingent, liquidated or unliquidated, secured or unsecured, matured or unmatured, determined or undeterminable, and whether or not accrued or reflected on a balance sheet, including those arising under any Law, Contract or Proceeding (regardless of whether such liabilities arising under such Law, Contract or Proceeding are required to be reflected on a balance sheet in accordance with GAAP).

"Lien" shall mean any and all liens, encumbrances, mortgages, security interests, pledges, claims, equities, and other restrictions or charges of any kind or nature whatsoever (other than general restrictions under applicable Laws).

"Losses" means all actual losses, claims, damages (excluding consequential, special, exemplary damages of any kind, and punitive damages imposed on the Purchaser (unless actually awarded to a third party)), Liabilities, deficiencies, dues, penalties, fines, costs, obligations, Taxes, judgments, expenses and reasonable fees, including court costs and reasonable attorneys', accountants', Contractors', and other professional fees and expenses actually incurred in connection with any pending or threatened Proceeding, injunction, judgment, order, decree, or ruling or enforcement of rights hereunder, and whether or not deriving out of a Third Party Claim indemnifiable in accordance with the terms of this Agreement.

"Material Adverse Effect" means any event, change or effect that is, either individually or in the aggregate, that (i) has a material adverse effect to the condition (financial or otherwise), properties, assets, liabilities, business or operations of the Acquired Companies or Parent, as applicable, taken as a whole; *provided, however*, that in determining whether a Material Adverse Effect has occurred, there shall be excluded (i) any effects resulting from conditions generally affecting the industry or industries in which the Company or Parent, as applicable, participates or the Israeli, U.S. or global economy or capital markets as a whole to the extent that such conditions do not have a disproportionate impact on the Company or Parent, as applicable, when compared to other companies in the industries in which the Company or Parent, as applicable, participates; (ii) with respect to the Company, effects resulting from the execution of this Agreement or announcement or pendency of the Transactions including the impact thereof on (1) relationships, contractual or otherwise, with customers, suppliers, distributors, employees or partners, (2) any resulting actions of competitors of the Company, and (3) any resulting shortfalls or declines in revenue, margins or profitability; (iii) general economic, business or political conditions (to the extent that such conditions do not have a materially disproportionate impact on the Company or Parent, as applicable, when compared to other companies in the industries or geographies in which the Company or Parent, as applicable, participates); (iv) with respect to the Company, failure to meet any projections or forecasts, in and of itself; (v) acts of God or other calamities, national or regional political or social conditions, including acts of god, stoppages or shutdowns of any Governmental Authority, any declaration of war, hostilities, act of terrorism, military actions, pandemics, epidemics or disease outbreaks or any escalation or material worsening of any such stoppages or shutdowns, in each case, existing or underway as of the date hereof, (to the extent that such conditions do not have a disproportionate impact on the Company or Parent, as applicable, when compared to other companies in the industries or geographies in which the Company or Parent, as applicable, participates); (vi) changes in applicable Laws or in generally accepted accounting principles or accounting standards, or changes in general legal, regulatory or political conditions; (vii) any action taken by the Acquired Companies that is required under or otherwise consummate the Transactions (including this Agreement), or (viii) any Law or any directive, pronouncement or guideline issued by a Governmental Authority or industry group providing for business closures, "sheltering-in-place" or other restrictions that relate to, or arise out of, the COVID-19 pandemic.

[3] NTD: subject to further review of the Company's accountants.

"Material Contract" means any Contract identified or required to be identified in Section 3.12(a) of the Company Disclosure Schedule.

"Net Working Capital" means, as the Closing Date, (i) the Company's total current assets as of the Closing (as defined by and determined in accordance with GAAP), less (ii) the Company's total current liabilities as of the Closing (as defined by and determined in accordance with GAAP. For purposes of calculating the Net Working Capital, (i) the Company's current assets shall (regardless of whether they would be treated as a current asset under GAAP) exclude all Company Cash, and (ii) the Company's current liabilities shall (regardless of whether they would be treated as a current liability under GAAP) exclude all Company Debt, any Transaction Expenses incurred but unpaid as of immediately prior to the Closing and the CLA Agreement (as defined in the Company Disclosure Schedule), and include without duplication, all pre-Closing accrued Taxes and Taxes payable.

"Net Working Capital Deficit" shall mean the amount, if any, by which the Target Net Working Capital exceeds the Net Working Capital.

"Net Working Capital Excess" shall mean the amount, if any, by which the Net Working Capital exceeds the Target Net Working Capital.

"Officer's Claim Notice" shall have the meaning ascribed to such term in Section 10.05.

"Open Source License" means any license meeting the Open Source Definition (as promulgated by the Open Source Initiative) or the Free Software Definition (as promulgated by the Free Software Foundation), or any substantially similar license, including but not limited to any license approved by the Open Source Initiative, or any Creative Commons License. For avoidance of doubt, Open Source Licenses include without limitation Copyleft Licenses.

"Open Source Materials" means any software or other Intellectual Property subject to an Open Source License.

"Order" means any judgment, writ, decree, injunction, order, compliance agreement or settlement agreement of or with any Governmental Authority or arbitrator.

"Ordinance" means the Israel Income Tax Ordinance [New Version] 5721-1961, as amended, and all rules and regulations promulgated thereunder, as may be amended from time to time, including, and publications and clarifications issued by the ITA.

"Ordinary Course" means the ordinary and usual course of operations of the Business of the Acquired Companies, consistent with their past custom and/or practice.

"Parent Common Stock" means the shares of common stock, US$0.0001, of Parent.

"Parent Preferred Stock" means the shares of preferred stock, US$0.0001, of Parent.

"Party" or "Parties" means, prior to Closing, the Selling Shareholders and the Company, on the one hand, and Purchaser, on the other and, after the Closing, the Selling Shareholders, on the one hand, and Purchaser and the Company, on the other.

"Paying Agent" means a paying agent selected by the Purchaser with the reasonable consent of the Company.[4]

"Paying Agent Agreement" means the Paying Agent Agreement to be entered between the Purchaser, the Paying Agent and the Holder Representative.

"Per Share Ordinary Amount" shall have the meaning ascribed to such term in Section 2.03.

"Permits" means any permit, license, authorization, registration, certificate, variance or similar right issued or granted by any Governmental Authority (but excluding registrations of Intellectual Property Rights).

"Permitted Liens" means (a) statutory liens for Taxes accrued but not yet due and payable nor delinquent or liens for Taxes being contested in good faith by any appropriate proceedings for which adequate reserves have been established in accordance with GAAP, (b) statutory liens to secure obligations to landlords, lessors or renters under leases or rental agreements, (c) deposits or pledges made in connection with, or to secure payment of, workers' compensation, unemployment insurance or similar programs mandated by applicable Law, (d) statutory liens in favor of carriers, warehousemen, mechanics and materialmen, to secure claims for labor, materials or supplies and other like liens arising or accrued as a matter of law in the Ordinary Course, *provided* that the obligations secured by such liens are not delinquent or material, and (e) the items set forth in Section 3.18(b) Company Disclosure Schedule.

"Person" means any individual, corporation (including any nonprofit corporation), company, partnership (limited or general), limited liability company, joint venture, association, estate, trust or unincorporated organization, labor union, Governmental Authority or other entity.

"Personal Information" means data in the control of the Company that relates to an identified or identifiable individual, including name, address, telephone number, electronic mail address or other online contact information, unique government-issued identifier, bank account number or credit card number, or unique identifier, including unique mobile device identifier, I.P. address, screen name or cookie identifier.

"Preferred A Shares" mean the Preferred A-1 Shares, the Preferred A-2 Shares, the Preferred A-3 Shares and the Preferred A-4 Shares.

"Preferred A-1 Shares" mean the series A-1 preferred shares of the Company, nominal value NIS 0.01 each.

"Preferred A-2 Shares" mean the series A-2 preferred shares of the Company, nominal value NIS 0.01 each.

"Preferred A-3 Shares" mean the series A-3 preferred shares of the Company, nominal value NIS 0.01 each.

"Preferred A-4 Shares" mean the series A-4 preferred shares of the Company, nominal value NIS 0.01 each.

"Preferred B Shares" mean the Preferred B-1 Shares, the Preferred B-2 Shares and the Preferred B- 3 Shares.

"Preferred B-1 Shares" mean the series B-1 preferred shares of the Company, nominal value NIS 0.01 each.

"Preferred B-2 Shares" mean the series B-2 preferred shares of the Company, nominal value NIS 0.01 each.

"Preferred B-3 Shares" mean the series B-3 preferred shares of the Company, nominal value NIS 0.01 each.

"Preferred Seed Shares" mean the series Seed preferred shares of the Company, nominal value NIS 0.01 each.

"Proceeding" means any civil, criminal or administrative action, cause of action, lawsuit, arbitration, proceeding, hearing, charge, complaint, claim, citation, notice, request, demand, assessment, Audit, examination or other legal, governmental, administrative or arbitral proceeding, investigation or inquiry, conducted or heard by or before, or otherwise involving any court or other Governmental Authority or any arbitrator or arbitration panel.

"Promised Options" shall mean rights to receive Company Options, as detailed under the Consideration Allocation Certificate.

"Purchaser Indemnified Parties" shall have the meaning ascribed to such term in Section 10.02.

"Regular Escrow Fund" means the number of shares of Parent Common Stock equal to 8% of the total number of Consideration Shares representing the Aggregate Consideration.

"Related Parties" shall have the meaning ascribed to such term in Section 3.31.

"Release Date" shall have the meaning ascribed to such term in Section 10.01.

"Released Parties" shall have the meaning ascribed to such term in Section 2.05.

"Rep Expenses" shall have the meaning ascribed to such term in Section 11.02.

"Rep Expense Amount" shall mean an amount of $200,000.

"Representative" of a Person means such Person's directors, officers, employees, agents and advisors (including attorneys, accountants, Contractors, bankers or financial advisors), as applicable.

"Response Notice" shall have the meaning ascribed to such term in Section 11.04.

"Rules" shall have the meaning ascribed to such term in Section 12.07.

"Sales Tax Escrow" means Consideration Shares which shall remain in the Regular Escrow Fund for at least six (6) additional months following the expiration of the Regular Escrow Fund, the number of Consideration Shares which is the lower between (i) the outstanding number of Consideration Shares under the Regular Escrow Fund on the Release Date, and (ii) 50% of the number of Shares Consideration under the Regular Escrow Fund at the Closing. For the avoidance of doubt, except as set forth in this Agreement, the Sales Tax Escrow is an integral part of the Regula Escrow Fund and unless specifically stated otherwise herein, all terms set forth in this Agreement with respect to the Regular Escrow Fund, shall apply on the Sales Tax Escrow.

"Securities" means, with respect to any Person, such Person's "securities" as defined in Section 2(1) of the Securities Act and shall include such Person's capital stock, membership interests, partnership interests or other equity interests or any options, warrants or other securities or rights that are directly or indirectly convertible into, or exercisable or exchangeable for, such Person's capital stock, membership interests, partnership interests or other equity interests.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder, as the same may be amended from time to time.

"SEC Reports" means the reports, schedules, forms, statements and other documents required to be filed by the Parent under the Securities Act and the Exchange Act, including pursuant to Section 13(a) or 15(d) thereof, for the two years preceding the date hereof (or such shorter period as the Parent was required by law or regulation to file such material).

"Section 3(i) Options" shall mean any Company Option granted and subject to Taxes pursuant to Section 3(i) of the Ordinance.

"Section 102" means Section 102 of the Ordinance.

"Section 102 Options" shall mean Company Options granted and subject to Taxes pursuant to Section 102(b)(2) of the Ordinance.

"Section 102 Securities" shall mean Section 102 Shares and Section 102 Options.

"Section 102 Shares" shall mean Company Shares issued upon exercise of Section 102 Options.

"Selling Shareholders" shall have the meaning ascribed to such term in the Recitals.

"Shareholders Meeting" shall have the meaning ascribed to such term in the Recitals.

"Special IP Escrow Period" means a Period commencing on the Closing Date and ends on the Special IP Escrow End Date.

"Special IP Escrow End Date" means the date of either: (i) the settlement of the ObVus Claim with full release of any and all claims and liability against Company, Purchaser and Parent (in a form reasonably acceptable to the parties), or (ii) the entry of a final, non-appealable judgment regarding the ObVus Claims by a court of competent jurisdiction, and exhaustion, waiver or abandonment of all rights of appeal therefrom, or (iii) expiration of all patents referred to in the ObVus Claim, (iv) upon the date which is three (3) years after the last legal demand and/or claim and/or proceeding/ and/or action of ObVus, Solutions LLC with respect to claims covered under the Special IP Escrow.

"Special IP Escrow Fund" means an amount of 110,000 Shares Consideration.

"Stipulated Amount" shall have the meaning ascribed to such term in Section 11.04.

"Subsidiary" means, with respect to any Person, any and all corporations, partnerships, limited liability companies, joint ventures, associations and other entities or organizations controlled directly or indirectly by such Person; provided that with respect to any venture capital fund the term "Subsidiary" shall not include any portfolio company that may otherwise fall under the definition of "Subsidiary"; further provided, that with respect to the Company, the U.S. Subsidiary (which is the Company's sole subsidiary).

"Target Net Working Capital" means US$0.00 (zero US Dollars).

"Tax" means any and all taxes, including any net income, gross income, gross receipts, branch profits, sales, use, value added, transfer, franchise, profits, license, registration, documentary, conveyancing, gains, withholding, national insurance ('*bituach leumi*'), national health insurance ('*bituach briyut'*) and other payroll taxes, employment, excise, severance, stamp, occupation, premium, property, environmental or windfall profit, custom duty, escheat, Medicare related taxes or other tax, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest, inflation linkage ('*hefreshei hatzmada*'), penalty, addition to tax or additional amount imposed by any governmental authority responsible for the imposition of any such tax (Israeli, United States (federal, state or local) or foreign).

"Tax Authority" means the IRS, ITA and any state, local, or foreign Governmental Authority responsible for the assessment, collection, imposition or administration of any Taxes.

"Tax Return" means any and all returns, reports, information returns, declarations, statements, certificates, bills, schedules, documents, claims for refund, or other written information of or with respect to any Tax which is supplied to or required to be supplied to any Tax Authority (or to any third party to whom a Tax is required to be paid), including any and all attachments, amendments and supplements thereto.

"Tax Contest" shall have the meaning ascribed to such term in Section 7.01.

"Transaction Expenses" means all costs, fees and expenses of third parties incurred or payable by the Acquired Companies related to the Transactions and the efforts to consummate the Transactions, whether incurred in connection with this Agreement or otherwise (except for fees and expenses of the Paying Agent and Escrow Agent, pursuant to the terms of the Escrow Agreement and the Paying Agent Agreement), including (i) all legal fees, accounting, tax (excluding recoverable VAT, to the extent there are any), investment banking fees or other expenses, and (ii) the costs of the Company D&O Tail Policy.

"Transactions" means the transactions contemplated by this Agreement.

"Transaction Expenses Certificate" shall have the meaning ascribed to such term in Section 8.02.

"Unvested Company Options" shall have the meaning ascribed to such term in .

"U.S. Subsidiary" shall have the meaning ascribed to such term in Section 3.01.

"Valid Tax Certificate" means a valid certificate, ruling or any other written instructions regarding Tax withholding, issued by the ITA in form and substance reasonably satisfactory to Purchaser and/or the Paying Agent (which for the avoidance of doubt includes, upon the Purchaser's written request, the Purchaser's opportunity to review the application to the ITA), that is applicable to the payments to be made to any Person pursuant to this Agreement, stating that no withholding, or reduced withholding, of Israeli Tax is required with respect to such payment or providing other instructions regarding such payment or withholding. For the sake of clarity, the 104H Tax Ruling, 104H Interim Ruling, the Interim Option Ruling and the Israeli Option Tax Ruling are Valid Tax Certificates.

"VAT Law" shall men Israel Value Added Tax Law of 1975.

"Vested Company Options" shall have the meaning ascribed to such term in Section 3.25

"Warranty Obligations" shall have the meaning ascribed to such term inSection 3.25.

Section 1.02 Definitional and Interpretative Provisions.

(a) The words "hereof," "herein" and "hereunder" and words of like import used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement.

(b) The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof. References to Articles, Sections, Exhibits and Schedules are to Articles, Sections, Exhibits and Schedules of this Agreement unless otherwise specified.

(c) All Exhibits and Schedules annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Any capitalized terms used in any Exhibit or Schedule but not otherwise defined therein, shall have the meaning as defined in this Agreement.

(d) Any singular term in this Agreement shall be deemed to include the plural, and any plural term the singular.

(e) Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation," whether or not they are in fact followed by those words or words of like import.

(f) All references to time shall refer to California time.

(g) Any agreement or instrument defined or referred to herein, or in any agreement or instrument that is referred to herein, means such agreement or instrument as from time to time amended, modified or supplemented. Other terms may be defined elsewhere in the text of this Agreement and shall have the meaning indicated throughout this Agreement.

(h) The term "foreign" when used with respect to applicable Law or a Governmental Authority shall refer to all jurisdictions other than Israel or the United States.

(i) The term "Dollar", "$", or USD shall refer to the currency of the United States of America. When such reference is made and the actual liability or payment is set in Israeli New Shekels, for purpose of this Agreement, the representative rate of exchange published by the Bank of Israel on the day prior to the day on which the calculation is made, unless otherwise specified herein.

ARTICLE II
DESCRIPTION OF THE TRANSACTION

Section 2.01 The Transaction.

(a) Sale and Purchase of Shares. Subject to the terms and conditions of this Agreement and the issuance of the Consideration Shares (as defined below), at the Closing: (i) the Selling Shareholders, severally and not jointly, shall sell, assign, transfer and deliver in the aggregate all of the Company Shares to Purchaser, and Purchaser will acquire good and valid title of all of the Company Shares from the Selling Shareholders; and (ii) Parent shall assume the Assumed Options in exchange for options to purchase Parent Common Stock, in each case in accordance with the terms of this Agreement, and subject to adjustments and withholdings (if applicable) as set forth in this Agreement.

Section 2.02 Consideration for Company Shares.

(a) Subject to the terms and conditions of this Agreement and in accordance with Section 2.04, at the Closing, each Selling Shareholder shall be entitled to receive in consideration for the sale and transfer of its Company Shares, an amount of Consideration Shares equal to the product of the its portion of the Aggregate Consideration, as set forth in the Closing Allocation Certificate (the "Shareholders Consideration"). Notwithstanding anything to the contrary, the total value of the Shareholders Consideration shall not exceed the Aggregate Consideration *minus* the total value of the Assumed Options.

(b) The Per Share Ordinary Amount will be calculated as follows: The quotient obtained by dividing (i) the Aggregate Consideration of the holders of Company Ordinary Shares and holders of the Assumed Options by (ii) the "Fully Diluted Equity Securities" (which is equal to the total number of Company Ordinary Shares *plus* the total number of Company Shares issuable upon the exercise or settlement of the Company Options and Company Warrants, that are issued and outstanding immediately prior to the Closing Date, and assumed pursuant to Section 2.10 *plus* the total number of Company Shares underlying the Promised Options, shall be defined as the "Per Share Ordinary Amount".

(c) The parties hereto acknowledge and agree that the Key Executive Share Consideration (i) is part of the entire consideration payable to the Selling Shareholders (including the Key Executive), in connection with and solely for the sale of the shares of the Company, (ii) shall not be considered wages or compensatory income for Key Executive's past, present or future services for the Company or Parent following the date of this Agreement or considered as part of the Key Executive's salary for any purposes of calculating disbursements to social benefits, pension fund and/or managers insurance and/or education fund, paid leave, or for calculating of severance pay or other payments derived from salary during the Key Executive's employment and upon termination of the Key Executive's employment, for which the Key Executive will be fully compensated in accordance with the terms of the Key Executive's employment agreement, and (iii) shall be treated as consideration for the shares of the Company for all Tax purposes. For income and other applicable Tax purposes, the parties hereto agree to report payments of the Key Executive Share Consideration consistently with the foregoing intended Tax treatment and none of the Company, Parent or any of its affiliates shall deduct any portion of the Key Executive Share Consideration as compensation for services rendered for Israeli or U.S. federal or state Tax purposes or take any position contrary to the forgoing Tax treatment on any Tax Return or in any Tax proceeding, unless otherwise required by a change in applicable law or raised by a Tax authority after the Closing Date.

Section 2.03 Company Warrants.

(a) Any Company Warrants outstanding at the Closing and all rights to acquire Company Shares pursuant thereto will terminate at Closing.

(b) To the extent a Company Warrant is exercised (including by way of a cashless exercise contingent upon the Closing), the number of and class of Company Shares each Warrantholder will be entitled to receive upon exercise of such Warrant as well as the portion of the Shareholders Consideration each Warrantholder will be entitled to receive at the Closing upon the exercise of such Warrants in accordance with their terms, shall be set forth in the Consideration Allocation Certificate and shall be deemed as Company Shares and treated as outstanding for all purposes hereunder.

(c) For clarification purposes the Parties acknowledge that for purposes of this Section 2.03 and the calculation of the amount distributed to each Equityholder, any Warrantholders exercising Warrants by way of a cashless exercise contingent upon the Closing will be deemed to be, and are treated as, Selling Shareholders (and the formulas set forth above should include the number of Company Shares issuable upon a cashless exercise of such Warrants).

Section 2.04 Clarifications; Mechanics.

Anything to the contrary notwithstanding:

(a) At the Closing, Purchaser shall deposit or cause the deposit of (i) the portion of the Shareholders Consideration *less* (ii) the Escrow Fund, with the Paying Agent, for disbursement by the Paying Agent, only upon receipt of a duly executed and completed letter of transmittal (which will include appropriate tax forms related to withholding of Israeli taxes and appropriate Form W-8/W-9 (or other appropriate United States tax form)), as shall be annexed as an annex to the Paying Agent Agreement, to each Selling Shareholder, or the 104H Trustee, as the case may be, in accordance with the Consideration Allocation Certificate and the terms hereof; provided that, solely with respect to the Key Executive, such deposit shall be equal to (i) his portion of the Shareholders Consideration less (ii) the Key Executive Share Consideration. With respect to any portion of the Shareholders Consideration that becomes payable to the Selling Shareholders after the Closing (including upon release of any portion of the Escrow Fund to the Selling Shareholders, and with respect to the Key Executive, the Key Executive Share Consideration), Purchaser and/or the Escrow Agent shall promptly deposit all such Consideration Shares with the Paying Agent, for disbursement by the Paying Agent to each Selling Shareholder or, subject to the receipt of the 104H Tax Ruling, to the 104H Trustee, in accordance with the Consideration Allocation Certificate, the provisions of the Escrow Agreement, the Holdback Agreement (as applicable) and the provisions hereof.

(b) At Closing, Purchaser shall deposit or cause the deposit the Key Executive Share Consideration with the 104H Trustee, to be retained by the 104H Trustee in accordance with the terms of the Holdback Agreement, and be released in accordance with this Agreement, the Escrow Agreement and the Holdback Agreement.

(c) Notwithstanding the above, at or as soon as reasonably practicable following the Closing, any portion of the Shareholders Consideration payable at Closing in respect of Company Shares received upon exercise of Section 102 Options and held by the Section 102 Trustee, shall be transferred by the Paying Agent to the 102 Trustee. Any further distributions to holders of Company Shares received upon exercise of Section 102 Securities shall be made in accordance with the terms of Section 2.04(a) (including the requirement to surrender the letter of transmittal by the 102 Trustee with respect to Section 102 Shares) and in accordance with the requirements of Section 102(b)(2) of the Ordinance and the Israeli Option Tax Ruling (or Interim Option Ruling).

(d) Notwithstanding anything to the contrary in this Agreement, the maximum Aggregate Consideration that Purchaser shall be required to pay to all of the Equityholders pursuant to this Agreement (including the Assumed Options) shall in no event exceed an aggregate value of $31,000,000.

Section 2.05 WAIVER AND RELEASE OF CLAIMS.

(a) Effective for all purposes, and contingent upon, the Closing, each Selling Shareholder acknowledges and agrees on behalf of itself and each of its agents, trustees, beneficiaries, directors, officers, Affiliates, estate, successors and assigns (each, a "Releasing Party") that each hereby releases and forever discharges the Company, each Equityholder and the Purchaser (each a "Beneficiary") and each of such Beneficiary's respective Affiliates, directors, officers, employees, representatives, agents, members, stockholders, successors, predecessors and assigns (each, a "Released Party" and collectively, the "Released Parties") from any and all Equityholder Claims such Releasing Party may have or assert it has against any of the Released Parties, from the beginning of time through the time of the Closing and following the Closing, in each case whether known or unknown, or whether or not the facts that could give rise to or support a Claim are known or should have been known, in each case, solely to the extent involving such Selling Shareholder's capacity as a shareholders of the Company. In this Agreement an "Equityholder Claim" shall mean: (i) any claim or right to receive any number of Company Shares other than the number of Company Shares set forth opposite his, her or its name in the Consideration Allocation Certificate (subject to any changes contemplated in this Agreement, so as to create the Consideration Allocation Certificate); (ii) any claim or right to receive any portion of the Aggregate Consideration or any other form, amount or value of consideration, payable or issuable to any Equityholder pursuant to the terms of this Agreement, other than as specifically set forth in the Consideration Allocation Certificate and applicable to such Selling Shareholder; or (iii) any claim with respect to the authority to enter into the Transactions and the enforceability of the Transactions.

(b) Each Selling Shareholder hereby confirms, acknowledges, represents and warrants for himself, herself or itself that he, she or it: (A) (i) is the holder of the number of Company Shares set forth opposite his, her or its name in the Consideration Allocation Certificate; (ii) other than the number and class of Company Shares, Company Options and/or Company Warrants set forth opposite his, her or its name in the Consideration Allocation Certificate, is not entitled to any additional Company Shares or any other form of equity securities including, shares, options, warrants or any other convertible security, or right to acquire shares, options or warrants of or any other convertible security into share capital of the Company; and (iii) waives any right to receive any additional Company Shares (as a result of any anti-dilution rights, preemptive rights, conversion rights (of any of the Company Shares which are outstanding as of the date of this Agreement or any Company Shares he, she or it may have been entitled to receive as a result of the conversion of any convertible loan agreement or any other convertible instrument that was issued by the Company prior to Closing), rights of first offer, co-sale and no-sale rights, any other participation, first refusal or similar rights, any adjustment of the conversion price of any preferred share whatsoever or otherwise); and (B) (i) examined the Consideration Allocation Certificate and is entitled only to the distribution set forth in such a chart (subject to any changes and adjustments contemplated in this Agreement); (ii) waives any right to receive consideration other than as set forth in the Consideration Allocation Certificate (including, without limitation, for any interest payments, the method of calculation of any of the values set forth in this Agreement or the method of determination of the Selling Shareholder's Indemnity Pro Rata Share, any preferential amount, any amount resulting from the conversion of shares any other rights of any nature under the Articles, or any shareholders agreement, which the Selling Shareholders and/or its successors and assignees ever had, now have or hereafter can, shall or may have, at any time, due to actions or events that occurred prior to Closing which do not conform or are not consistent with the terms of this Agreement and the consideration attributed to such Selling Shareholders in the Consideration Allocation Certificate); (C) hereby terminates and waives any rights, powers and privileges such Selling Shareholder has or may have pursuant to any investors rights agreement, registration rights agreement or any other shareholders agreement entered into by such Selling Shareholders (in his capacity as a shareholder) with respect to the Company, including any right to make a claim or demand for any discrepancy between any such investors rights agreement, shareholders agreement, share purchase agreement or convertible loan agreement such Selling Shareholder and the provisions of this Agreement and his, her or its entitlement pursuant to such agreements; (D) for as long as this Agreement is in force agrees not to sell, transfer, assign or convert any of its Company Shares, or subject such Company Shares to any Liens, except pursuant to this Agreement; and (E) has not heretofore assigned or transferred, or purported to have assigned or transferred, to any corporation (or any other legal entity) or person whatsoever, any claim, debt, liability, demand, obligation, cost, expense, action or cause of action herein released.

(c) Notwithstanding anything in this Section 2.05, the foregoing releases and covenants shall not apply to any claims (a) relating to any right of such Selling Shareholder under this Agreement or any Document, including the Purchaser's failure to pay the Aggregate Consideration or any other payments in accordance with this Agreement (including the Escrow Fund, if applicable); (b) relating to Purchaser's failure to perform any of its obligations, undertakings or covenants set forth in this Agreement (including, without limitation the filing of the Registration Statement on Form S-8) or any of the Documents (including any exhibit thereto); (c) relating to any entitlement relating to employment payment, including salary, bonuses, accrued vacation, any other employee compensation and/or benefits, and unreimbursed expenses, (d) relating to or arising from any commercial relationship such Releasing Party may have with any of the Released Parties and (e) under the indemnification rights under Article X of this Agreement, and (f) any matter or event that involved fraud or intentional misrepresentation by the Purchaser or Parent.

(d) Anything to the contrary notwithstanding: (i) the foregoing release shall enter into effect and is conditioned upon the consummation of the Closing and shall become null and void, and shall have no effect whatsoever, without any action on the part of any person or entity, upon termination of this Agreement in accordance with its terms; and (ii) should any provision of this release be found, held, declared, determined, or deemed by any court of competent jurisdiction to be void, illegal, invalid or unenforceable under any applicable statute or controlling law, the legality, validity, and enforceability of the remaining provisions will not be affected and the illegal, invalid, or unenforceable provision will be deemed not to be a part of this Release.

(e) Nothing contained in this Section 2.05 shall derogate from, or shall be deemed to constitute a release by the Releasing Party, the right to indemnification of former and current directors and officers of the Company in their capacity as such pursuant to any indemnification agreements between the Releasing Party and the Company set forth in the Company Disclosure Schedules, the Company's Fundamental Documents, or any applicable policy of directors' and officers' insurance maintained by the Company.

Section 2.06 Escrow Fund.

(a) Escrow Deposit. At the Closing, Purchaser shall deliver or cause to be delivered to the Escrow Agent which will also serve, if required, as a trustee for the purposes of Section 104H of the Ordinance (the "104H Trustee"), as the escrow agent under the Escrow Agreement, the number of Consideration Shares constituting the Escrow Fund less the portion of the Key Executive Indemnity (as defined below), to be held by the Escrow Agent in accordance with the terms of the Escrow Agreement and released from the Escrow Fund pursuant to the terms of this Agreement and the Escrow Agreement. The Consideration Shares constituting the Escrow Fund will be deducted from the portion of the Aggregate Consideration attributed to the Indemnifying Persons based on the respective Indemnity Pro Rata Share of each Indemnifying Person.

(b) Upon the date which is six (6) months of the Closing Date, the remaining Consideration Shares then held in the Escrow Fund that are not (i) subject to a claim at such time, if any (the "Pending Claims Consideration"), (ii) comprising the Special IP Escrow Fund, or (iii) comprising the Sales Tax Escrow, shall be automatically released and distributed by the Escrow Agent to the 104 Trustee, 102 Trustee or the Selling Shareholders, as applicable, per the mechanism, *mutatis mutandis*, described under Section 2.04, to each Indemnifying Person according to such Indemnifying Person's Indemnity Pro Rata Share in accordance with the terms of the Escrow Agreement. The Escrow Agent shall continue to hold the Pending Claims Consideration until such time as the claims for such Losses have been resolved or satisfied (in which case the balance of the Pending Claims Consideration, if any, shall be released and distributed by the Escrow Agent to the 104 Trustee, 102 Trustee or the Selling Shareholders, as applicable, per the mechanism, *mutatis mutandis*, described under Section 2.04, to the Indemnifying Persons according to each Indemnifying Persons' Indemnity Pro Rata Share in accordance with the Escrow Agreement, which value shall be determined by the relevant Escrowed Share Value (as defined below)).

(c) Upon the date which is twelve (12) months of the Closing Date, the remaining Consideration Shares then held in the Escrow Fund that are not (i) Pending Claims Consideration, (ii) comprising the Special IP Escrow Fund (if not released at such time), or (iii) comprising pending claims with respect to the Sales Tax Losses, shall be automatically released and distributed by the Escrow Agent to the 104 Trustee, 102 Trustee or the Selling Shareholders, as applicable, per the mechanism, *mutatis mutandis*, described under Section 2.04, to each Indemnifying Person according to such Indemnifying Person's Indemnity Pro Rata Share in accordance with the terms of the Escrow Agreement. The Escrow Agent shall continue to hold the number of Consideration Shares attributed to the Sales Tax Losses until such time as the claims for such Losses have been resolved or satisfied (in which case the balance, if any, shall be released and distributed by the Escrow Agent to the 104 Trustee, 102 Trustee or the Selling Shareholders, as applicable, per the mechanism, *mutatis mutandis*, described under Section 2.04, to the Indemnifying Persons according to each Indemnifying Persons' Indemnity Pro Rata Share in accordance with the Escrow Agreement, which value shall be determined by the relevant Escrowed Share Value).

(d) For purposes of Article XI, including determining the number of Consideration Shares that are used to satisfy any Pending Claims Consideration or Losses against the Escrow Fund (including with respect to the Losses as a result of the ObVus Claims) and the distribution of any such Consideration Shares from the Escrow Fund to the Indemnifying Person, each such Consideration Share will be deemed to have a value equal to the greater of: (i) the Effective Parent Stock Price, or (ii) the volume weighted average of the closing sale prices for one share of Parent Common Stock as quoted on the NASDAQ Global Select Market over the five Trading Days ending on the relevant date in which such Losses have been reserved (or released, upon the release date form the Escrow Fund) by the Escrow Agent according to the Officer's Claims Notice.

(e) Upon the date which is the Special IP Escrow End Date, the remaining Consideration Shares then held in the Escrow Fund that are not (i) comprising the Regular Escrow Fund (if not released at such time according to Section 2.06(b), or (ii) Pending Claims Consideration, under the Escrow Agreement, if any, shall be automatically released and distributed by the Escrow Agent to the 104 Trustee, 102 Trustee or the Selling Shareholders, as applicable, per the mechanism, *mutatis mutandis*, described under Section 2.04, to each Indemnifying Person according to such Indemnifying Person's Indemnity Pro Rata Share in accordance with the terms of the Escrow Agreement. The Escrow Agent shall continue to hold the Pending Claims Consideration attributed to the Special IP Escrow Fund until such time as the claims for such Losses have been resolved or satisfied (in which case the Special IP Escrow shall be released and distributed by the Escrow Agent to the 104 Trustee, 102 Trustee or the Selling Shareholders, as applicable, per the mechanism, *mutatis mutandis*, described under Section 2.04, to the Indemnifying Persons according to each Indemnifying Persons' Indemnity Pro Rata Share in accordance with the Escrow Agreement).

(f) The portion of the Key Executive's Indemnity Pro Rata Share of the Escrow Fund (which shall consist of a number of vested shares of Parent Common Stock having an aggregate value equal to such Key Executive's Indemnity Pro Rata Share of the Escrow Fund as set forth in the Consideration Allocation Certificate, shall not be placed into the Escrow Fund at Closing, but shall be retained by the 104H Trustee as collateral security for certain indemnification obligations hereunder (such portion, the "Key Executive Indemnity"), which Key Executive Indemnity shall vest, be forfeited or be settled into shares of Parent Common Stock pursuant to the Holdback Agreement; *provided* that any Key Executive Indemnity that so vests shall continue to be held by the 104 Trustee and shall be released to the Key Executive at the same time the corresponding funds (in accordance with each Indemnifying Person's Indemnity Pro Rata Share) are released to the Indemnifying Persons from the Escrow Fund in accordance with the terms of this Agreement, the Escrow Agreement and the Holdback Agreement.

Section 2.07 Consideration Charts.

(a) Estimated Closing Balance Sheet. Not less than three (3) Business Days prior to the Closing Date, the Company shall deliver to Purchaser a statement (the "Estimated Closing Balance Sheet"), certified by the Chief Financial Officer of the Company, setting out its good faith estimate of the following amounts, in each case as at the anticipated Closing Date:

(1) the Company Cash;

(2) the Company Debt;

(3) the Net Working Capital;

(4) the amount of the Transaction Expenses that remain (or will remain) outstanding as at the Closing Date;

(5) the Net Working Capital Excess (if any), the Net Working Capital Deficit (if any), and the Aggregate Consideration, in each case derived from this Section 2.07 (b).

(b) Consideration Allocation Certificate. Not later than three (3) Business Days prior to the Closing Date, the Company shall deliver to Purchaser the Consideration Allocation Certificate, executed by the Chief Financial Officer of the Company. In no event shall Purchaser be required to make any payments pursuant to this Agreement unless and until the Consideration Allocation Certificate has been duly executed and delivered by the Company. Purchaser shall be entitled to rely entirely upon the Consideration Allocation Certificate in connection with making the payments pursuant to this Agreement.

Section 2.08 Closing of the Company's Share Registry.

At the Closing Date, holders of certificates representing Company Shares that were outstanding immediately prior to the Closing Date shall cease to have any rights as shareholders of the Company, and the share registry of the Company shall be closed with respect to all shares outstanding immediately prior to the Closing Date.

Section 2.09 Withholding Rights; 104H Tax Ruling.

(a) Right to Withhold. Each of Purchaser, the Paying Agent, the Escrow Agent, the 102 Trustee, the 104H Trustee and the Company, including its Subsidiaries (each a "Payer") shall be entitled to deduct and withhold from any consideration payable or otherwise deliverable pursuant to this Agreement, such amounts as Purchaser, or applicable Payer, as the case may be, are required to deduct or withhold therefrom under the Israeli Option Tax Ruling, Interim Option Ruling, 104H Interim Ruling, the 104H Tax Ruling, the Code, or, except with respect to the Shares Consideration, the Israeli Income Tax Regulations (withholding from payments for services or assets) 5737-1977, with respect to the making of such payment. To the extent that such amounts are so withheld by Purchaser or applicable Payer, as the case may be, (i) such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the Person to whom or to which such amounts would otherwise have been paid, (ii) such withheld amounts shall be timely remitted by Purchaser or applicable Payer, to the applicable Governmental Authority, and (iii) Purchaser, the Escrow Agent or the Company, as applicable, shall promptly provide to the Person from which such amounts were withheld written confirmation of the amount so withheld.

(b) Notwithstanding the foregoing in Section 2.09(a) above, if the Paying Agent provides Parent prior to the Closing Date with an undertaking as required under Section 6.2.4.3(c) of the Income Tax Circular 19/2018 (Transaction for Sale of Rights in a Corporation that includes Consideration that will be transferred to the Seller at Future Dates), with respect to Israeli Tax, any consideration payable or otherwise deliverable pursuant to this Agreement (other than Section 102 Securities) shall be paid to and retained by the Paying Agent for the benefit of each Selling Shareholder for a period of 180 days from Closing or an earlier date required in writing by such Shareholder or by the ITA (the "Withholding Drop Date") (during which time the Paying Agent shall not withhold any Israeli Tax on such consideration, except if otherwise required by applicable Law or pursuant to a demand from the ITA), and during which time each Shareholder may obtain a Valid Tax Certificate. In the event that no later than three (3) Business Days before the Withholding Drop Date, a Selling Shareholder submits to the Purchaser and the Payer a Valid Tax Certificate reasonably satisfactory to Payer, then the deduction and withholding of any Israeli Taxes shall be made only in accordance with the provisions of such Valid Tax Certificate (such amount will be deducted in Consideration Shares equal to such tax withholding amount and remitted to the ITA by the Payer after such Payer sold the portion of such Consideration Shares otherwise deliverable to such Selling Shareholder that is required to enable the Payer to comply with such applicable deduction or withholding requirements) and the balance of the payment or Consideration Shares that is not withheld shall be promptly paid to such Selling Shareholder (subject to withholding on account of any non-Israeli taxes, if applicable). Until such Selling Shareholder, or anyone on its behalf, presents to the Payer, a Valid Tax Certificate, or evidence reasonably satisfactory to Purchaser and the Payer that the full applicable Tax amount with respect to such Selling Shareholder is paid or withheld, the certificates of Consideration Shares shall be issued in the name of the Paying Agent or Escrow Agent, as applicable, to be held in trust for the relevant Selling Shareholder and delivered to such Selling Shareholder in compliance with the withholding requirements under this Section (during which time the Payer shall not withhold any Israeli Tax from such consideration). If any Selling Shareholder (A) does not provide the Payer with a Valid Tax Certificate no later than three Business Days before the Withholding Drop Date (unless the Selling Shareholder submits a written request to extend the period ending on the Withholding Drop Date by 10 days, which request shall not be unreasonably withheld, conditioned or delayed) , or (B) submits a written request with the Payer to release such Selling Shareholder's portion of the Shareholders Consideration prior to the Withholding Drop Date and fails to submit a Valid Tax Certificate to the Payer at or before such time, then any amount required to be withheld with respect to the Consideration Shares shall be funded, through the forfeiture or sale of the portion of the Consideration Shares, otherwise deliverable to such Selling Shareholder that is required to enable the Payer to comply with applicable deduction or withholding requirements. To the extent that any Selling Shareholder is unable, for whatever reason, to sell the applicable portion of the Consideration Shares, then the Payer shall be entitled to hold all of the Consideration Shares, otherwise deliverable to the applicable Selling Shareholder until the earlier of: (i) the receipt of a Valid Tax Certificate; or (ii) such time when the Payer is practically able to sell the portion of such Consideration Shares otherwise deliverable to such Selling Shareholder that is required to enable the Payer to comply with such applicable deduction or withholding requirements. Any costs or expenses incurred by the relevant Payer in connection with such sale shall be borne by, and deducted from the payment to, the applicable Selling Shareholder. The amount in cash to be withheld from such payments shall be calculated according to the applicable withholding rate which amount shall be calculated in NIS based on a US$:NIS exchange rate at the time of release of the applicable Consideration Shares by the Paying Agent which amount shall be delivered to the ITA by the Paying Agent (any applicable currency conversion commissions will be borne by the applicable Selling Shareholder and deducted from payments to be made to such Selling Shareholder). The applicable Payer shall furnish the Selling Shareholder with documents evidencing such Tax withholding and remittance to the ITA. In the event that the Paying Agent receives a demand from the ITA to withhold any amount out of the Shareholders Consideration payable to any of the Selling Shareholders and transfer it to the ITA prior to the Withholding Drop Date, the Paying Agent (1) shall notify such Selling Shareholder of such matter promptly after receipt of such demand, and provide such Selling Shareholder with reasonable time (but in no event less than 30 days, unless otherwise explicitly required by the ITA or under any applicable Law) to attempt to delay such requirement or extend the period for complying with such requirement as evidenced by a written certificate, ruling or confirmation from the ITA, and (2) to the extent that any such certificate, ruling or confirmation is not timely provided by such Selling Shareholder to the Purchaser or the Paying Agent, transfer to the ITA any amount so demanded, and such amounts shall be treated for all purposes of this Agreement as having been delivered and paid to such Selling Shareholder.

(c) As soon as practical following the date hereof, the Company and the Selling Shareholders may prepare and file with the ITA an application for a ruling permitting any Shareholders, who elect to become a party to such a tax ruling (each, an "Electing Holder"), to defer any applicable Israeli Tax with respect to any Consideration Shares (including in relation to any payments made with respect to the Key Executive Share Consideration) that such Electing Holder will receive pursuant to this Agreement until the date set forth in Section 104H of the Ordinance (the "104H Tax Ruling"). Parent and Purchaser shall cooperate with the Company, the Electing Holders and their Israeli counsel with respect to the preparation and filing of such application and in the preparation of any written or oral submissions that may be necessary, proper or advisable to obtain the 104H Tax Ruling or the Interim 104H Tax ruling; provided that (i) the final wordings of such rulings shall be reasonably approved in advance by Purchaser; and (ii) any costs associated with the application for the Interim 104H Tax Ruling or the 104H Tax Ruling shall be paid by the Company or reduced from the Aggregate Consideration as Transaction Expenses. Subject to the terms and conditions hereof, the parties shall use commercially reasonable efforts to promptly take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable under applicable law to obtain the 104H Tax Ruling, as promptly as practicable. For the avoidance of doubt, the Company and the Electing Holders shall not make any application to the ITA with respect to any matter relating to Interim 104H Tax Ruling or the 104H Tax Ruling without first consulting with the Purchaser's Israeli legal counsel and granting Purchaser's legal counsel the opportunity to review and comment on the draft application, and the Company and the Electing Holders shall inform Purchaser's counsel of the content of any discussions and meetings relating thereto in advance and allow Purchaser's Israeli legal counsel to participate in any such discussions or meetings

(d) Notwithstanding anything to the contrary in this Agreement, if the 104H Tax Ruling or the Interim 104H Tax Ruling shall be received and delivered to Purchaser prior to the applicable withholding date in form and substance reasonably acceptable to Purchaser, then the provisions of the 104H Tax Ruling or the Interim 104H Tax Ruling, as the case may be, shall apply and all applicable withholding procedures with respect to any Electing Holders shall be made in accordance with Section 104H of the Ordinance, the provisions of the 104H Tax Ruling or Interim 104H Tax Ruling, as the case may be.

(e) Notwithstanding anything else to the contrary in this Agreement, the Paying Agent and the 102 Trustee shall be entitled to withhold Israeli Taxes with respect to the consideration payable for Section 102 Securities, on the 15th calendar day of the calendar month following the month during which the Closing occurs, unless the Israeli Option Tax Ruling or Interim Option Ruling are provided prior to such time, and in such case, the Paying Agent and the 102 Trustee shall act in accordance with the Israeli Option Tax Ruling or Interim Option Ruling, as applicable.

Section 2.10 Treatment of Company Options; Israeli Option Tax Ruling.

(a) At the Closing and subject to the provisions of the Israeli Option Tax Ruling and the Interim Option Ruling, each (i) outstanding Company Option that is unexpired, unexercised and outstanding immediately before the Closing, vested and exercisable as of immediately before the Closing (each, a "Vested Company Option"), (ii) each outstanding Company Option that is unexpired, unexercised and outstanding immediately before the Closing, unvested and not exercisable as of immediately before the Closing (each, an "Unvested Company Option"), and (iii) each Promised Option, held by a Company Employee, Contractor or the 102 Trustee for the benefit of a Company Employee, shall be assumed by Purchaser and converted automatically into an option at the same tax route under which such Company Option granted and/or Promised Option should have been granted (each, an "Assumed Option") exercisable for that number of whole shares of Parent Common Stock equal to the product (rounded to the nearest whole number of shares of Parent Common Stock) obtained by multiplying (A) the number of Company Ordinary Shares that would have been issuable upon exercise of such Company Option immediately prior to the Closing by (B) the Equity Exchange Ratio, at a per share exercise price equal to the quotient (rounded up to the next whole cent) obtained by dividing (x) the exercise price per Company Ordinary Share at which such Company Option was exercisable immediately prior to the Closing by (y) the Equity Exchange Ratio.

(b) At the Closing, each unvested option to acquire Company Shares that is held by a person other than a Company Employee shall terminate for no consideration.

(c) Each Assumed Option shall continue to vest after the Closing on the vesting schedule in place for such Assumed Option immediately prior to or at the Closing (subject to the restrictions and other terms of such vesting schedule). Each Assumed Option shall be governed by other terms and conditions set forth in the Company Option Plan and the applicable stock option or other agreement as are in effect immediately prior to the Closing, except that Parent shall have any and all amendment and administrative authority with respect to such Assumed Option (subject, in the case of any amendment, to any required consent of the affected holder of each Assumed Option).

(d) Except as may be otherwise agreed to by Purchaser and the Company or as otherwise contemplated or required to effectuate this Section 2.10(d), (i) no action shall be taken by the Company prior to the Closing to accelerate the vesting and/or exercisability of any Company Option, (ii) the Company shall cause the provisions in any Company Benefit Arrangements providing for the issuance or grant of any other interest in respect of the Company Shares to be deleted or otherwise terminated as of the Closing, except for the exercise and/or conversion of then-existing exercisable or convertible securities and any Company Options that are to be assumed in accordance with Section 2.10(a) of this Agreement, and (iii) the Company shall take such other actions as shall be reasonably necessary to insure that immediately after the Closing, no Company Benefit Arrangement shall allow for the grant of new equity securities of the Company or Parent or any Subsidiary thereof other than the Company Options that are to be assumed in accordance with Section 2.10(a) of this Agreement.

(e) At or before the Closing, the Company shall provide to Parent such documents, records and other information as is necessary or appropriate, and shall take all actions necessary or appropriate to give effect to the foregoing provisions of this Section 2.10, including obtaining all necessary consents and causing to be effected any necessary amendments to or the termination of any Company Options and the Option Plan.

(f) As soon as reasonably practicable after the execution of this Agreement, the Company shall instruct its legal counsel, advisors and accountants, in reasonable coordination with Purchaser, to prepare and file with the ITA an application in form and substance reasonably acceptable to Purchaser for a ruling in relation to the tax treatment of the Section 102 Securities under this Agreement to confirm, among other things that (i) the assumption of the 102 Options will not result in a taxable event and that tax continuity shall apply, provided that the applicable consideration paid to holders of Section 102 Securities is deposited at least until the end of the duration of the 102 Trust Period with the 102 Trustee and (ii) Purchaser and anyone acting on its behalf shall be exempt from withholding tax in relation to any payments made to the 102 Trustee in relation to Section 102 Securities (which ruling may be subject to customary conditions regularly associated with such a ruling) (the "Israeli Option Tax Ruling"). Each of Company and Purchaser shall cause their respective legal counsel, advisors and accountants to coordinate all activities, and to cooperate with each other, with respect to the preparation and filing of such application and in the preparation of any written or oral submissions that may be necessary, proper or advisable to obtain the Israeli Option Tax Ruling. Subject to the terms and conditions hereof, Company shall use commercially reasonable efforts to promptly take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable under applicable Laws to obtain the Israeli Option Tax Ruling as promptly as practicable. The final text of the Israeli Option Tax Ruling or the Interim Option Ruling shall in all circumstances be subject to the prior written confirmation of Purchaser or its counsel, which consent shall not unreasonably be withheld, conditioned or delayed. If the Israeli Option Tax Ruling is not granted prior to Closing, the Company shall seek to receive prior to the Closing an interim tax ruling confirming, among other things, that Purchaser and anyone acting on its behalf shall be exempt from Israeli withholding tax in relation to any payments made to the 102 Trustee (the "Interim Option Ruling"). To the extent the Interim Option Ruling is obtained, all references herein to the Israeli Option Tax Ruling shall be deemed to refer to such interim ruling, until such time that a final definitive Israeli Option Tax Ruling is obtained.

(g) The assumption of any Company Options granted under the Ordinance is intended to be effected in a manner which is consistent with the provisions of the Israeli Option Tax Ruling, if obtained. Following the Closing Date, Parent's Board of Directors, a committee thereof or such other committee to which Parent's Board duly delegates authority shall succeed to the authority and responsibility of the Company Board of Directors or any committee thereof with respect to each Assumed Option. The exercise of the Assumed Option and/or sale of underlying shares shall be subject to the terms of the Israeli Option Tax Ruling, if obtained and to such terms and restrictions, including blackout periods, as are generally applicable to such exercise and sale of options to purchase Parent Common Stock.

(h) In connection with the assumption of any Company Options issued to employees of the U.S. Subsidiary, such assumption will be done in accordance with Section 2.10, such that Section 409A of the Code will not apply to such assumption.

Section 2.11 Rep Expense Amount.

As soon as possible following the Closing, a portion equal to the Rep Expense Amount shall be deposited by the Company with the Paying Agent, to be used by the Holder Representative for the payment of expenses incurred by the Holder Representative in performing his duties pursuant to this Agreement. The Rep Expense Amount shall in no manner affect or impact the amount of the Escrow Fund. In the event that the Holder Representatives have not used the entire Rep Expense Amount at such time as the termination of the Escrow Period and the Special IP Escrow Period or promptly following the completion of the Holder Representative's duties in accordance with the terms of this Agreement, any remaining amount shall be distributed by the Paying Agent, per the mechanism described under Section 2.04, to the Indemnifying Persons pro rata to their respective Indemnity Pro Rata Share. Any reimbursement out of the Rep Expense Amount, shall be in accordance with Section 12.02 below.

Section 2.12 Post-Closing Adjustment.

Within sixty (60) days after the Closing Date, Purchaser shall, in its absolute discretion be entitled (but shall not, for the avoidance of doubt, be required) to prepare and deliver to the Holder Representative a proposed statement setting out its calculation of the Company Cash, the Company Debt, and the Net Working Capital as at Closing (the "Proposed Closing Balance Sheet"). The Proposed Closing Balance Sheet shall include all of the balance sheet line items included in the Estimated Closing Balance Sheet.

(b) During the thirty (30) days immediately following the Holder Representative's receipt of the Proposed Closing Balance Sheet (the "Closing Balance Sheet Review Period"), the Holder Representative will be provided with reasonable access (including electronic access) to the financial records of the Company, for purpose of reviewing the Proposed Closing Balance Sheet.

(c) The Holder Representative shall notify Purchaser in writing (the "Notice of Disagreement") prior to the expiration of the Closing Balance Sheet Review Period if the Holder Representative disagrees with the Proposed Closing Balance Sheet. The Notice of Disagreement shall set forth in reasonable detail the basis for such dispute, the amounts involved and the Holder Representative's determination of the amount of the Net Working Capital. If no Notice of Disagreement is given to Purchaser prior to the expiration of the Closing Balance Sheet Review Period, then the Proposed Closing Balance Sheet shall be deemed to have been accepted by the Holder Representative and shall become final, binding and conclusive upon the Parties.

(d) If a Notice of Disagreement is given to Purchaser prior to the expiration of the Closing Balance Sheet Review Period, then the Holder Representative and Purchaser shall meet (which meeting may take place via teleconference) within ten (10) Business Days of delivery of such Notice of Disagreement (or at such other time and place mutually agree between the parties) and use all reasonable efforts to resolve any differences that they may have with respect to the matters specified in the Notice of Disagreement.

(e) If the Holder Representative and Purchaser have been unable to resolve all of the differences they may have with respect to the matters specified in the Notice of Disagreement within thirty (30) days of the delivery of the Notice of Disagreement (or such other period as may be mutually agreed by Purchaser and the Holder Representative), either the Holder Representative or Purchaser may submit any amounts remaining in dispute (the "Disputed Amounts") for resolution to an independent certified public accounting firm from the 'Big Four' (any such firm, the "Independent Accountants") who shall have the privileges, powers and immunities of an arbitrator. The Independent Accountants shall only decide the specific items under dispute by the parties and their decision for each Disputed Amount must be within the range of values assigned to each such item in the Proposed Closing Balance Sheet and the Notice of Disagreement, respectively. Each of Purchaser and the Holder Representative shall submit a statement of its position and supporting documentation within twenty (20) days of engagement of the Independent Accountants. The Independent Accountants shall be instructed to make a determination as soon as practicable, and in any event within sixty (60) calendar days after their engagement. The Independent Accountants shall prepare a written statement setting forth their resolution of the Disputed Amounts and adjustments to the Proposed Closing Balance Sheet.

(f) The statement which is (i) the Estimated Closing Balance Sheet delivered by the Company to the Purchaser, if the Purchaser fails to deliver the Proposed Closing Balance Sheet to the Company, (ii) the Proposed Closing Balance Sheet, if the Holder Representative fails to deliver through the expiration of the Closing Balance Sheet Review Period a Notice of Disagreement, or (iii) the closing balance sheet statement as adjusted through an agreement of Purchaser and the Holder Representative after resolving the Disputed Amounts set forth in the Notice of Disagreement, (iv) the closing balance sheet statement as adjusted through the determination of the Independent Accountant pursuant to this Section 2.12 (the "Final Closing Balance Sheet"). The Final Closing Balance Sheet shall be final, binding and conclusive on the parties.

(g) The Estimated Closing Statement, the Proposed Closing Statement, the Final Closing Statement and all related calculations and documents shall be prepared in accordance with GAAP applied using the same accounting methods, policies, practices and procedures, with consistent classifications, judgments and estimation methodology, in each case to the extent consistent with GAAP, as were used in the preparation of the Annual Financial Statements (as defined below); provided however, that the Net Working Capital, the Company's Cash, and the Company's Debt shall be adjusted as defined pursuant to the terms hereof.

(h) Final Aggregate Consideration Adjustment Payments.

(1) If the Aggregate Consideration calculated based on the Estimated Closing Balance Sheet exceeds the Aggregate Consideration as set out in the Final Closing Balance Sheet, then the Holder Representative shall instruct the Escrow Agent to release the amount of Consideration Shares of such excess to the Parent from the Regular Escrow Fund.

(2) If the Aggregate Consideration calculated based on the Final Closing Balance Sheet exceeds the Aggregate Consideration calculated based on the Estimated Closing Balance Sheet, then Purchaser shall cause, within five (5) Business Days of the date of the Final Closing Balance Sheet being determined, transfer to the Paying Agent an amount of Consideration Shares equal to such excess (the "**Consideration Adjustment Amount**") for payment to the Selling Shareholders (in accordance with their respective Indemnity Pro Rata Share).

(3) All of the fees and expenses of the Independent Accountants pursuant to this Section 2.12 shall be borne by the Purchaser and the Holder Representative (on behalf of the Selling Shareholders), based on the inverse of the percentage that the Independent Accountants' determination (before such allocation) bears to the total amount of the total Disputed Amounts originally submitted to the Independent Accountant.

(i) Notwithstanding anything to the contrary in this Agreement, the maximum Aggregate Consideration that Purchaser shall be required to pay to all of the Equityholders pursuant to this Agreement (including in connection with the Assumed Options and any Consideration Adjustment Amount) shall in no event exceed an aggregate value of $31,000,000.

Section 2.13 Lock-Up of Consideration Shares.

Notwithstanding any other provision of this Agreement, as a condition to the issuance of any part of the Aggregate Consideration to a Selling Shareholder, each of the Selling Shareholders shall be required to execute and deliver a lock-up agreement substantially in the form attached hereto as Exhibit F (a "Lock-Up Agreement") in respect of such Consideration Shares that are issued to them as part of the Shareholders Consideration.

Section 2.14 Closing.

(a) Time and Place. The consummation of the Transactions (the "Closing") shall take place at the offices of Sullivan Tel-Aviv Law Offices, 28 Haarbaa St., Tel Aviv, Israel, simultaneously with the execution and delivery of this Agreement. The date on which the Closing actually takes place is referred to in this Agreement as the "Closing Date".

(b) Transactions at Closing. At, or prior to the Closing, the following transactions shall occur, which transactions shall be deemed to take place simultaneously, and no transaction shall be deemed to have been completed or any document delivered until all such transactions have been completed and all required documents delivered:

(1) Each Selling Shareholder shall deliver to Purchaser one or more share certificates (or a written declaration of loss or destruction in lieu thereof in the form attached hereto as Exhibit B) accompanied by duly executed deeds of transfer in the form attached as Exhibit C.

(2) Purchaser, the Holder Representative on behalf of itself and on behalf of each Indemnifying Person, and the Escrow Agent shall enter into the Escrow Agreement.

(3) Purchaser shall deliver to the Escrow Agent the Escrow Fund less the portion of the Key Executive Indemnity, in accordance with Section 2.06.

(4) The Company shall deliver to the Paying Agent the Rep Expense Amount, as set forth in Section 2.11 of this Agreement.

(5) The Company shall register the transfer of the Company Shares held by the Selling Shareholders to Purchaser in the register of shareholders of the Company, and shall provide Purchaser with a true and correct copy of such updated register of shareholders reflecting such entry, certified by the Chief Executive Officer of the Company.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except as set forth in the Company Disclosure Schedule, the Company represents and warrants to the Purchaser (it being clarified and understood that the information set forth in each section and subsection of the Disclosure Schedule shall qualify (A) the representations and warranties set forth in the corresponding section or subsections of this Article III, and (B) any other representations and warranties set forth in this Article III it is readily apparent on the face of such disclosure that it applies to such other representations and warranties):

Section 3.01 Organization and Standing.

(a) The Company (i) is a corporation duly organized, validly existing under the laws of the State of Israel, (ii) has all requisite corporate power and authority necessary to carry on the Business and to own, lease and operate all of its properties. Section 3.01(a)(i) of the Company Disclosure Schedule sets forth a true, correct and complete list of each jurisdiction in which the Company is qualified to do business as a foreign corporation. The Company is duly qualified or licensed to do business and in good standing in the jurisdictions in which the character of the properties owned or leased by it and used by it or in which the conduct of its businesses requires it to be so qualified, and where the failure to be so qualified or in good standing, would reasonably be expected to have a Material Adverse Effect. Section 3.01(a)(ii) of the Company Disclosure Schedule lists every state or foreign jurisdiction in which the Company has, or ever had, facilities, an office or an employee or Contractor. The minute books of the Company contain accurate records, in all material respects, of all meetings (including any actions taken by written consent or otherwise without a meeting) and accurately reflect, on all material respects, all other actions taken by the Company shareholders, board of directors and all committees of the board of directors of the Company during such periods. Such minute books and the shareholders register of the Company have been delivered or made available by the Company to Purchaser.

(b) Except as set forth in Section 3.01(b) of the Company Disclosure Schedule and except for Upright Technologies Inc., a corporation incorporated under the laws of the State of Delaware and wholly-owned by the Company (the "U.S. Subsidiary"), the Company has never had and does not have any Subsidiaries and has never owned and does not own, directly or indirectly, any capital stock of or other equity or voting interests in any corporation, partnership, joint venture, association or other entity.

(c) The U.S. Subsidiary is duly qualified or licensed to do business and is in good standing in its jurisdiction of formation and each other jurisdiction in which such concept is recognized and in which the nature of its business or the ownership, leasing or operation of its properties or assets makes such qualification or licensing necessary, other than where the failure to be so qualified or licensed individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect on the Company and the U.S. Subsidiary, taken as a whole.

(d) The Company has delivered or made available to Purchaser (i) accurate and complete copies of the Fundamental Documents, as currently in effect, including all amendments thereto, of each Acquired Company; (ii) the equity records of each Acquired Company; and (iii) the minutes of the meetings and other proceedings (including any actions taken by written consent or otherwise without a meeting) of the shareholders of the U.S. Subsidiary, and the boards of directors and all committees thereof of the U.S. Subsidiary. The Acquired Companies are not in violation of any of the provisions of the Fundamental Documents. The books of accounts, stock records, minute books and other records of each Acquired Company are accurate, up-to-date and complete, in all material respects, and have been maintained in accordance with prudent business practices and all applicable Law.

(e) Section 3.01(e) of the Company Disclosure Schedule accurately sets forth: (i) the names of the members of the board of directors (or similar body) of each Acquired Company; (ii) the names of the members of each committee of the board of directors (or similar body) of each Acquired Company (if any); and (iii) the names and titles of the officers of each Acquired Company.

Section 3.02 Authority, Capacity, Validity and Effect.

The Company has all requisite power and authority (corporate or otherwise) or capacity to execute and deliver each Document to which it is a party and any and all instruments necessary or appropriate in order to effectuate fully the terms and conditions of each such Document and to perform and consummate the Transactions. Each Document to which the Company is a party, and the performance of its respective obligations hereunder and thereunder, have been duly and validly authorized by all requisite action on the part of the Company, as applicable, and each Document to which the Company is a party has been duly and validly executed and delivered by the Company, and constitutes, or upon its execution and delivery as contemplated by this Agreement will constitute, a valid and legally binding obligation of the Company enforceable against the Company, in accordance with its terms and conditions, except as limited by (a) applicable bankruptcy, reorganization, insolvency, moratorium or other similar Laws affecting the enforcement of creditors' rights generally from time to time in effect; or (b) rules of law governing specific performance, injunctive relief and the availability of equitable remedies (regardless of whether enforceability is considered in a proceeding at law or in equity) (collectively, the "General Enforceability Exceptions").

Section 3.03 Capitalization.

(a) The authorized share capital of the Company consists of (i) 953,338,927 Company Ordinary Shares, of which 101,267,073 are issued and outstanding as of the date of this Agreement, (ii) 45,557,900 Preferred Seed Shares, of which 45,557,800 are issued and outstanding as of the date of this Agreement, (iii) 16,607,000 Preferred A-1 Shares, of which all are issued and outstanding as of the date of this Agreement, (iv)25,487,000 Preferred A-2 Shares, all of which are issued and outstanding as of the date of this Agreement, (v) 5,855,200 Preferred A-3 Shares, all of which are issued and outstanding as of the date of this Agreement, (vi) 1,064,600 Preferred A-4 Shares, all of which are issued and outstanding as of the date of this Agreement, (vii) 62,079,712 Preferred B-1 Shares, of which 56,803,787 are issued and outstanding as of the date of this Agreement, (viii) 8,109,661 Preferred B-2 Shares, all of which are issued and outstanding as of the date of this Agreement, and (ix) 23,000,000 Preferred B-3 Shares, none of which are issued and outstanding as of the date of this Agreement. There are no Company Shares held in treasury. The Company Shares are held of record by the Persons set forth on Section 3.03(a) of the Company Disclosure Schedule, which sets forth for each Selling Shareholder (i) the name of the holder; and (ii) the number of Company Ordinary Shares and/or Company Preferred Shares held by such holder. Except as set forth in this Section 3.03(a) of the Company Disclosure Schedule, the Company has no other share capital authorized, issued or outstanding. All outstanding Company Shares are all duly and validly authorized, fully paid and non-assessable and issued in accordance with the Company's Fundamental Documents. The rights, preferences and privileges of the Company Preferred Shares and Company Ordinary Shares are as set forth in the Articles. There are no declared or accrued but unpaid dividends with respect to any Company Shares. Each Company Preferred Share is convertible into one Ordinary Share.

(b) Except for the Company Option Plan, neither the Company nor any of the Acquired Companies has ever adopted, sponsored or maintained any share option plan or any other plan or agreement providing for equity compensation to any Person. The Company Option Plan has been duly authorized, approved and adopted by the board of directors of the Company and, to the extent required under applicable Law, the Company's shareholders and is in full force and effect. The Company has reserved for issuance to employees of and Contractors to the Company and the Acquired Companies 37,251,633 Company Ordinary Shares under the Company Option Plan, of which options to purchase 24,619,860 Company Ordinary Shares have been granted and are outstanding or promised (each, a "Company Option") as of the date of this Agreement and 6,133,553 Company Ordinary Shares have been issued following exercise of Company Options and are held by the 102 Trustee as set forth in Section 3.03(a) of the Company Disclosure Schedule. Section 3.03(b) of the Company Disclosure Schedule sets forth for each outstanding Company Option: (1) the name of the holder of such option, (2) the domicile address of such holder (to the extent the Company as such information), (3) an indication of whether such holder is an employee of the Company or any of the Subsidiaries, (4) the date of grant or issuance of such option, the number of Company Ordinary Shares subject to such option, (5) the exercise price of such option, (6) the vesting schedule for such option, including the extent vested to the date of this Agreement, (7) whether and to what extent the exercisability of such option will be accelerated and become exercisable as a result of the Transactions, and (8) with respect to Company Options granted to Israeli taxpayers, whether each such Company Option was granted pursuant to Section 3(i) of the Ordinance or, Section 102 and specifying the subsection of Section 102 pursuant to which the Company Option was granted. The treatment of Company Options pursuant to Section 2.10 is compliant with the terms of the Company Option Plan.

(c) Except as set forth in the Articles or specified on Section 3.03(c) of the Company Disclosure Schedule and except as contemplated by this Agreement, there are no:

(i) outstanding subscriptions or subscription rights, preemptive rights, warrants, calls or options to acquire, or instruments convertible into or exchangeable for, or agreements or understandings with respect to the sale or issuance of, or other similar rights, agreements, arrangements or commitments of any character relating to, Securities of the Company;

(ii) obligations to make any payment linked to the value of any Securities of the Company;

(iii) Liens (including a right of first refusal, right of first offer, proxy, voting trust, or voting agreement) with respect to the sale, issuance or voting of any Securities of the Company (whether outstanding or issuable upon the conversion, exchange or exercise of outstanding Securities); or

(iv) obligations to redeem, repurchase or otherwise acquire Securities of the Company or to provide funds to make any investment (in the form of a loan, capital contribution or otherwise) in any other entity.

(d) Section 3.03(d) of the Company Disclosure Schedule shall list for each outstanding Company Warrant: (i) the name of the holder thereof, and (ii) the number of Company Shares into which such Company Warrant is exercisable as of immediately prior to the Closing. As of the Closing, none of the Company Warrants will be outstanding or exercisable.

(e) Upon consummation of the Transactions, Purchaser will own all the issued and outstanding share capital of the Company free and clear of all Liens. The information contained in the Consideration Allocation Certificate shall be accurate and complete as of the Closing.

(f) Except as set forth in the Amended and Restated Investors' Rights Agreement dated April 23, 2019 (which will be terminated at Closing), the Company is not under any obligation to register under the Securities Act and the Israeli Securities Law and the rules and regulations promulgated thereunder and all applicable state securities or "blue sky" Laws, any Securities of the Company.

(g) Except as contemplated by this Agreement or as set forth on Section 3.03(g) of the Company Disclosure Schedule, and except for proxies signed in connection with the issuance of Company Options or proxies signed by Selling Shareholders in connection with the Transaction, neither the Company nor any Shareholder is a party to any voting trusts, proxies or other agreements or understandings with respect to the Company Shares.

(h) The exercise price of all Company Options granted to U.S. employees is at least equal to the fair market value of the underlying equity on of the date such Company Options were granted.

Section 3.04 No Conflict; Required Filings and Consents; Approvals.

The execution, delivery and performance by the Company of the Documents to which it is a party, and the consummation of the Transactions by the Company (alone or in combination with any other event) and the compliance by the Company with the provisions of this Agreement, will not conflict with, or result in any breach of, any of the terms, conditions or provisions of, or constitute (with due notice or lapse of time, or both) a default under, or give rise to a loss of a material benefit under, or any right of termination, cancellation or acceleration, or results in the creation of any Liens on any of the assets, properties or rights of the Company pursuant to (a) any Law applicable to the Company or any of its properties and assets; or (b) the Company's Fundamental Documents; (c) any Order to which the Company or any of its properties and assets are subject; or (d) any Material Contract to which the Company is a party or otherwise bound.

Section 3.05 Governmental Consents and Approvals.

Except as contemplated by this Agreement or as set forth on Section 3.05 of the Company Disclosure Schedule, the Company is not required to give any notice to, or make any filing with, any Governmental Authority, or obtain any Permit, in each case for the valid execution, delivery and performance by the Company of the Documents and the consummation of the Transactions.

Section 3.06 Financial Statements.

(a) Section 3.06(a) of the Company Disclosure Schedule contains true, correct and complete copies of the following:

(i) the audited balance sheets of the Company, as of December 31, 2019, December 31, 2018 and December 31, 2017, and the related audited statements of operations, shareholders' equity and cash flows for each of the fiscal years then ended, together with any notes thereto (all of the foregoing, the "Annual Financial Statements"); and

(ii) the unaudited and un-reviewed balance sheet of the Company as of September 30, 2020 (the "Latest Balance Sheet Date"), and the related unaudited statement of operations, shareholders equity and cash flows for the 9-month period then ended (all of the foregoing, "Interim Financial Statements").

(b) The Financial Statements (i) have been prepared in accordance with GAAP consistently applied throughout the periods indicated (except as may be indicated therein or in the notes thereto) and consistent with each other and have been prepared in accordance with the books and records of the Company; and (ii) present fairly, in all material respects, the financial condition, results of operations and cash flows of the Company, as of the respective dates thereof and for the respective periods covered thereby; provided, however, that the Interim Financial Statements do not contain all footnotes required under GAAP and are subject to normally recurring year-end audit adjustments, which will not be material individually or in the aggregate. All reserves established by the Company that are set forth in or reflected in the Company Balance Sheet have been established in accordance with GAAP as consistently applied by the Company for pre-Closing periods.

(c) Since the Latest Balance Sheet Date, there has been no material change in any accounting principle, procedure or practice followed by the Company or in the method of applying such principle, procedure or practice.

Section 3.07 Absence of Undisclosed Liabilities.

Except as set forth on Section 3.07 of the Company Disclosure Schedule, the Company has no monetary Liabilities, except (a) to the extent reflected or reserved against on the Latest Company Balance Sheet and prior to the date hereof; (b) Liabilities arising in the Ordinary Course since the Latest Balance Sheet Date; or (c) Transaction Expenses.

Section 3.08 Absence of Certain Changes.

Since the Latest Balance Sheet Date, the Business has been conducted in the Ordinary Course. Since the Latest Balance Sheet Date, (a) no Material Adverse Effect has occurred; and (b) the Company has not experienced any material damage, destruction or loss affecting in the use of, any material assets of the Company (whether or not covered by insurance).

Section 3.09 Assets; Absence of Liens and Encumbrances.

(a) Section 3.09(a) of the Company Disclosure Schedule sets forth as of the date of this Agreement all equipment, materials, tangible prototypes, tools, supplies, vehicles, furniture, fixtures, improvements and other tangible assets of the Company and the Subsidiaries with an individual book value of greater than $25,000.

(b) The Company and each of the Subsidiaries has good and valid title to, or, in the case of leased properties and assets, valid leasehold interests in, all of its material tangible properties and assets, real, personal and mixed, used or held for use in the Business, free and clear of any Liens, except as reflected in the Financial Statements and set forth in Section 3.09(b) of the Company Disclosure Schedule and except for Liens for ad valorem Taxes not yet due and payable.

Section 3.10 Accounts Receivable.

All Accounts Receivable of the Company are bona fide, result from the Ordinary Course, have been properly recorded in the Interim Financial Statements (to the extent required to be recorded therein) and, subject to reserves for doubtful accounts recorded in the Interim Financial Statements, and to the knowledge of the Company, are collectible in the ordinary course of business without any set-off or counterclaim, provided that in each case, the foregoing shall not be construed as a guarantee of such collectability or enforceability.

Section 3.11 Internal Controls.

The Company (a) makes and keeps accurate books and records that fairly reflect, in all material respects, the transactions and dispositions of assets of the Company; and (b) maintains internal accounting controls that provide reasonable assurance that (i) transactions are recorded as necessary to permit preparation of their respective financial statements in conformity with GAAP; (ii) receipts and expenditures are made only in accordance with general or specific authorizations of management and directors of the Company; (iii) access to its assets is permitted only in accordance with general or specific authorizations of management and directors of the Company; and (iv) the reported accounting for its assets and liabilities is compared with existing assets and liabilities at reasonable intervals; in each case, as customary for a company at the same stage of development as the Company.

Section 3.12 Contracts and Commitments.

(a) Section 3.12(a) of the Company Disclosure Schedule sets forth a complete and accurate list or description of each of the following Contracts which are in effect on the Effective Date (or any groups of related or similar Contracts, including any series of Contracts under a master agreement and including statements or work and purchase orders) ("Material Contracts"):

(i) Contracts that are not terminable by the Company on fewer than sixty (60) days notice without payment by or penalty, liability or other adverse consequence to the Company;

(ii) Contracts that involve payments based on sharing profits or revenues of the Company or that create a partnership, joint venture or an alliance, referral or reseller relationship;

(iii) Contracts that are required to be set forth on Section 3.20(b) of the Company Disclosure Schedule;

(iv) Contracts that involve a specific commitment of Company resources having value exceeding $25,000 individually;

(v) Contracts that pertain to projects commonly known as "fixed price/deliverable based projects" as to which the Company has not completed performance in any respect;

(vi) Contracts that relate to capital expenditures exceeding $25,000 individually to be made after the date of this Agreement;

(vii) Contracts that (A) impose a Lien on any of the Company's assets; (B) create, incur or guarantee any Indebtedness of the Company to any other Person, or (C) assume, or otherwise become liable for, the obligations of any other Person;

(viii) Contracts that relate to the disposition or acquisition of material assets or any interest in any business enterprise (including any Liability related to or arising out of any acquisition or other business combination such as any earn-out, performance, bonus or other contingent payment arrangement, however such arrangement may be evidenced) not in the Ordinary Course of the Company;

(ix) Outbound Intellectual Property Contracts that are required to be set forth on Section 3.13(e) of the Company Disclosure Schedule (except for Outbound Intellectual Property Contracts entered in the ordinary course of business);

(x) Contracts with Company Employees granting any bonus, severance benefits, change of control benefits, or termination pay (in cash or equity or otherwise) to any Employee with respect to which the Company has or may have any liability or obligation, in each case, except as required under applicable law, or Contracts with any labor union, works council or similar organization;

(xi) Contracts that are non-disclosure agreements, other than those entered into with any actual or prospective customer, reseller, distributor, partner, contractor, prospective employee or vendor in the Ordinary Course or those entered into with Company Employees or consultants in such capacity;

(xii) Contracts that (A) include any non-competition or non-solicitation covenant or similar arrangement that limits the right of the Company to engage in, or to compete (geographically or otherwise) in any line of business or with any other Person anywhere in the world or (B) grant exclusive rights of any type or scope;

(xiii) Contracts that provide for indemnification by or of the Company (excluding indemnification for third party infringement claims caused by a Company Product that is contained in the Company's standard Contract with customers entered into in the Ordinary Course);

(xiv) Contracts that contain "most favored nation" provisions or any similar preferred pricing provision requiring that a third party be offered terms or concessions at least as favorable as those offered to one or more other parties;

(xv) Contracts with any Governmental Authority;

(xvi) Contracts that relate to the settlement of any Proceeding;

(xvii) Contracts with suppliers of the Company with a value exceeding $25,000 individually;

(xviii) Contracts establishing powers of attorney, other than routine powers of attorney relating to representation before governmental agencies;

(xix) collective bargaining agreements or other agreements or arrangements with any labor union, trade union or works council; or

(xx) Contracts that have a restriction on assignment on the Company in the event of a change of control.

(b) Prior to the date of this Agreement, the Company has delivered or made available to Purchaser a true, correct and complete copy of each Material Contract, including all amendments, modifications and supplements thereto through the date of this Agreement (or a written description of the material terms of any Material Contract that is not written).

(c) Each Material Contract is a valid, binding and enforceable obligation of the Company in accordance with its terms against the Company and, to the Knowledge of the Company, against each other party thereto (in each case, subject to General Enforceability Exceptions), and is in full force and effect.

(d) There is no existing default by the Company under any of the Material Contracts and no event has occurred or, to the Knowledge of the Company, that (whether with or without notice, lapse of time or the happening or occurrence of any other event) would reasonably constitute default by the Company or subject the Company to any penalty or liquidated damages, under any Material Contract.

(e) The Company has not received any notice or other written communication from any Person regarding (A) any actual or alleged breach of, default under or failure to comply with any term or requirement of any Material Contract; or (B) any actual or proposed revocation, withdrawal, suspension, cancellation, termination or amendment to any Material Contract.

(f) The Company has not received notice of and, to the Knowledge of the Company, there are no existing defaults by any other Person party to a Material Contract; and, to the Knowledge of the Company, no event has occurred or that with or without notice, lapse of time or the happening or occurrence of any other event, would reasonably constitute a default under any Material Contract by any other Person party thereto (other than the Company).

Section 3.13 Company Intellectual Property.

(a) Intellectual Property Registrations. Section 3.13(a) of the Company Disclosure Schedule contains a complete and accurate list of all Company Intellectual Property Registrations as of the Effective Date and (i) for each Patent, the patent number or application serial number for each jurisdiction in which filed, date issued and filed, and present status thereof; (ii) for each registered Trademark and trademark application, the application serial number or registration number, by country, province and state, and the class of goods or services covered, the nature of the goods or services, the date issued and filed, and the present status thereof, as well as a list of all material common law trademarks used by the Company, including a list of applicable jurisdictions, the nature of the goods and services offered under the common law trademark and the dates of first use; (iii) for any Domain Names, the registration date, any renewal date and name of registry; (iv) for each copyright registration or application, the number and date of such registration or copyright application by country, province and state, as well as a list of all material copyrights for which an application has not been filed; (v) all threatened or actual Proceedings (including reexamination and reissue proceedings) before any court, tribunal (including the United States Patent and Trademark Office or equivalent authority anywhere in the world) related to such Company Intellectual Property Registrations listed in subsections (i) trough (iv); and (vi) any actions that must be taken within one hundred and eighty (180) days after the date of this Agreement for the purposes of obtaining, maintaining, perfecting, preserving or renewing any such Company Intellectual Property Registrations.

(b) Validity. Each of the Company Intellectual Property Registrations is, to the extent applicable, valid and subsisting (excluding pending applications).

(c) Ownership.

(i) No Company Intellectual Property and Company Intellectual Property Registrations owned or purported to be owned by the Company are subject to any Proceeding or outstanding decree, order, judgment, or stipulation, restricting the use, transfer, or licensing thereof by the Company, or which affects the validity, use or enforceability of such Company Intellectual Property Company Intellectual Property Registrations owned or purported to be owned by the Company, in each case, except for decree, order, judgment that impact all companies in the industry.

(ii) The Company owns, and has good and exclusive title to, all Company Intellectual Property Registrations and Company Intellectual Property owned or purported to be owned by the Company free and clear of any Lien (other than the Outbound Intellectual Property Contracts). All Company Intellectual Property Registrations and Company Intellectual Property owned or purported to be owned by the Company are fully transferable, alienable or licensable by the Company and its Affiliates without restriction and without payment of any kind to any Person, subject to any applicable Law.

(iii) No Person other than the Company that licensed or otherwise granted rights under Intellectual Property to the Company has claimed ownership interest in or exclusive license rights to any improvements made by the Company to that Intellectual Property.

(iv) The Company has not transferred ownership of, or granted any exclusive license of or exclusive right to use, or authorized the retention of any exclusive rights to use or joint ownership of, any Intellectual Property that were at any time Company Intellectual Property that the Company owned or purported to own or Company Intellectual Property Registrations, to any other Person

(v) Except as set forth in Section 3.13(c)(v) of the Company Disclosure Schedule, the Company has required each current and former employee and current and former Contractor of the Company who has contributed to the creation of Intellectual Property for the Company to sign a proprietary information/confidentiality agreement, which assigns to the Company all right, title and interest in and to the Intellectual Property created by such Person (the "Invention Assignment Agreements"). The Company has delivered or made available to Purchaser true, correct and complete copy of the forms of all Invention Assignment Agreements. To the Company's knowledge, there are no disputes regarding the scope of any assignment of Intellectual Property Rights to the Company by any Company Employee or former employee of the Company or current or former Contractor, or performance under such assignment agreement, including with respect to any payments to be made or received by the Company thereunder.

(vi) No governmental funding, facilities or resources of a university, college, other educational institution or research center or funding from third parties was used in the development of any Company Intellectual Property or Company Intellectual Property Registrations owned or purported to be owned by the Company in any jurisdiction in which Company currently conducts or has conducted business.

(d) Non-Infringement. To the Company's Knowledge, the operation of the Business, including the design, development, manufacture, use, import, export, sale, licensing or other exploitation of Company Products or the use of the Company Intellectual Property owned or purported to be owned by the Company with respect thereto, does not infringe or violate any Intellectual Property Rights or misappropriate any Intellectual Property of any third party (provided that the above shall not be deemed to refer to any Intellectual Property Rights that are not owned or purported to be owned by the Company and which may be used in any Company Products). The Company has not received notice from any Person (i) alleging any infringement or misappropriation with respect to any Intellectual Property or Intellectual Property Rights; (ii) claiming that the Company must license from any Person or refrain from using any Intellectual Property or Intellectual Property Rights; or (iii) challenging the ownership by the Company of any of the Company Intellectual Property owned or purported to be owned by the Company. To the Knowledge of the Company, no such a claim is threatened by any Person and no valid basis exists for such a claim. The Company has not received any opinion of counsel regarding any allegation of infringement relating to the operation of the Business or the Company Products.

(e) Intellectual Property Contracts. Schedule 3.13(e)(A) of the Company Disclosure Schedule contains a complete and accurate list of all Contracts which are in effect on the Effective Date to which the Company is a party with respect to Intellectual Property or Intellectual Property Rights licensed by the Company to any third party ("Outbound Intellectual Property Contracts"). Schedule 3.13(e)(B) of the Company Disclosure Schedule contains a complete and accurate list of all Contracts which are in effect on the Effective Date pursuant to which a third party has licensed any Intellectual Property or Intellectual Property Rights to the Company (other than shrink-wrap, click through or similar licenses for commercially available software) ("Inbound Intellectual Property Contracts"). The Inbound Intellectual Property Contracts and Outbound Intellectual Property Contracts, collectively, are referred to herein as the "Intellectual Property Contracts."

(f) Open Source and Copyleft Materials. All use and distribution of Company Products, or any Open Source Materials, by or through the Company is in compliance in all material respects with all Open Source Licenses applicable thereto, including all copyright notice and attribution requirements. Section 3.13(f) of the Company Disclosure Schedule lists all Open Source Materials used in the Company Products, including products in development or testing thereof, and (i) identifies the Open Source License applicable thereto; (ii) identifies, where available, a URL at which the applicable Open Source Materials are available and at which the applicable Open Source License is identified; (iii) describes the manner in which such Open Source Materials were used; (iv) with regard to Copyleft Material states whether (and, if so, how) the Open Source Materials were modified by or for the Company; and (v) states whether the Open Source Materials were distributed by or for the Company. Except as set forth and disclosed above and in the Company Disclosure Schedule, the Company has not (A) incorporated Open Source Materials into, or combined Open Source Materials with, any of the Company Products; (B) distributed Open Source Materials in conjunction with or for use with any of the Company Products; or (C) used Copyleft Materials in a manner that requires the Company Products, any portion thereof, or any Company Intellectual Property, to be subject to Copyleft Licenses.

(g) Sufficiency of Intellectual Property Rights. The Company owns or is validly licensed (pursuant to an enforceable (subject to General Enforceability Exceptions) license) sufficient Intellectual Property Rights to conduct the Business including the design, development, manufacture, use, import, export, sale, licensing or other exploitation of Company Products.

(h) Software. Except as disclosed in Schedule 3.13(h) of the Company Disclosure Schedule, the Company has not disclosed or delivered to any escrow agent or any other Person any of the source code relating to any Company Intellectual Property, and no other Person has the right, contingent or otherwise, to obtain access to or use any such source code, and no event has occurred, and no circumstance or condition exists, that (with or without notice or lapse of time) will, or reasonably would be expected to, result in the delivery, license, or disclosure of any source code to any Person who is not, as of the date of this Agreement, an employee of the Company.

(i) Governmental Rights. No government, university, college, other educational institution, research center or non-profit institution (collectively, "Institutions") provided facilities or funding for the development of any Company Intellectual Property owned or purported to be owned by the Company or Company Product. To the knowledge of the Company, no Institutions have any rights in or with respect to any developments of any Intellectual Property made by any current or former employee, or Contractor of the Company that relate in any manner to Company Intellectual Property owned or purported to be owned by the Company or the Company Products. Except as disclosed on Section 3.13(i) of the Company Disclosure Schedule, no current or former employee, or Contractor of the Company who was involved in, or who contributed to, the creation or development of any Company Intellectual Property owned or purported to be owned by the Company has performed services for any Institution during a period of time during which such employee, or Contractor was also performing services for the Company.

(j) Third-Party Infringement. To the Knowledge of the Company, no Person has infringed or misappropriated, or is infringing or misappropriating, any Company Intellectual Property Rights owned or purported to be owned by the Company.

(k) Trade Secret Protection. The Company has taken reasonable steps to protect and maintain the rights of the Company in the Company's Confidential Information and Trade Secrets in accordance with industry practices applicable to companies of similar size offering similar services. Without limiting the foregoing, except as set forth in Section 3.13(k) of the Company Disclosure Schedule, the Company has required each employee and Contractor who had access to Company's Confidential Information and Trade Secrets to execute a written agreement that provides reasonable protection for such Confidential Information and Trade Secrets and all current and former employees, and Contractors of the Company with access to such Confidential Information or Trade Secrets have executed such an agreement. All disclosures by the Company of any Company Confidential Information and Trade Secrets have been made pursuant to a written agreement that provides reasonable protection for such Trade Secrets and Confidential Information.

Section 3.14 Litigation and Other Proceedings.

Except as set forth in Section 3.14(a) of the Company Disclosure Schedule, there are not any (a) Proceedings of any nature instituted, commenced or pending against or involving the Company, the Business or the assets of the Company or any Shareholder, employee or director of the Company in its, his or her capacity as such, whether at law or in equity or whether civil or criminal in nature, including any Proceeding that seeks to prevent, enjoin, alter or delay the Transactions; or (b) pending Orders of any Governmental Authority with respect to or involving the Company, the Business or the assets of the Company or any Shareholder, employee or director of the Company in its, his or her capacity as such, nor, to the Knowledge of the Company, are any of the foregoing Proceedings or Orders currently threatened by any Person. To the Company's Knowledge, no fact or circumstances exist, individually or in the aggregate and with or without notice or lapse of time, that reasonably could be expected to result in any of the foregoing being instituted. Except as set forth in Section 3.14(b) of the Company Disclosure Schedule, there is no Proceeding by the Company pending, or which the Company has commenced preparations to initiate, against any other Person, currently or at any time in the last five (5) years.

Section 3.15 Compliance with Laws; Permits; Privacy

(a) To the knowledge of the Company, the Company is in compliance and has been in compliance, in all material respects, with all Laws, Permits and Orders applicable to the Company or its assets, properties or Business, including the Export Control Laws of all countries that pertain to the Company and the Business, (b) to the Company's knowledge, no event has occurred or circumstance exists that (with or without notice or lapse of time): (i) may constitute or result in a violation by the Company of, or a failure on the part of the Company to comply in any material respect with, any Law, Permit or Order applicable to the Company or its assets, properties or Business; or (ii) may give rise to any material obligation on the part of the Company to undertake, or to bear all or any portion of the cost of, any curative action of any nature; and (c) the Company has not received any written notification from any Governmental Authority or any other Person asserting that (i) the Company is not in compliance, in all material respects, with any Law, Permit or Order applicable to the Company or its assets or Business; or (ii) the Company may have an obligation to undertake, or to bear all or any portion of the cost of, any curative action of any nature. The Company has not received notice of, and the Company has no Knowledge that any Governmental Authority intends to conduct, an investigation with respect to the Company, and, to the knowledge of the Company, no such investigation is in progress. The Company possesses all Permits necessary to conduct the Business in each jurisdiction (federal, state, local and foreign) in which the Company has conducted business, and Section 3.15(a) of the Company Disclosure Schedule contains a true, correct and complete list of all such Permits and all Orders under which the Company, the Business or any assets of the Company is operating or bound. All such Permits are in full force and effect and there are no Proceedings pending or, to the Knowledge of the Company, threatened, that seek the revocation, cancellation, suspension or adverse modification of any such Permit.

(b) Except as set forth in Schedule 3.15(b), (i) the Company is not in material violation of any applicable Laws relating to the rights of any Person with respect to Personal Information, including the applicable Laws relating to the collection, storage, use, security and/or transfer of Personal Information, and (ii) the Company is in material compliance with all applicable industry standards relating to Personal Information.

(c) Except as set forth in Schedule 3.15(b), the Company: (i) has been, and is protecting, with industry standard security measures, the confidentiality, integrity and security of its software, databases, systems, networks and Internet sites and all information stored or contained therein or transmitted thereby from unauthorized or improper access, modification, transmittal or use; (ii) does not use or intentionally collect or intentionally receive Personal Information relating to children under thirteen years of age in violation of the Children's Online Privacy Protection Act; and (iii) has been, and is, in material compliance with each privacy policy it has made publicly available and the terms of each of its contractual obligations that is applicable to Personal Information.

(d) All third party servicing, outsourcing, hosting or similar arrangement with respect to the management of information are set forth in Schedule 3.15(d).

(e) The Company has commercially reasonable and industry standard technological and procedural measures in place to protect all Personal Information against loss, theft and unauthorized access or disclosure. The Company has implemented and maintained a system of internal controls, as customary for a company at the same stage of development as the Company, sufficient to provide reasonable assurance that the Company complies with all applicable Laws, and that the they will not collect, fail to secure, share or use such Personal Information in a manner that breaches or violates any (i) such Laws, (ii) internal or customer-facing privacy or data security policy adopted by, or otherwise applicable to, the Company or the Business, or (iii) contractual commitment made by the Company that is applicable to Personal Information. Except as set forth in Schedule 315(e), no written claim has been asserted or, to the knowledge of the Company, threatened with respect to the Company's receipt, collection, use, storage, processing, disclosure or disposal of Personal Information.

Section 3.16 Employees.

(a) Section 3.16(a) of the Company Disclosure Schedule sets forth a true and complete list of all employees of the Company, and includes each employee's name, position and title, department, work location, status, actual scope of employment (*e.g.*, full- or part-time or temporary), overtime classification (*e.g.*, exempt or non-exempt), date of commencement of employment, prior notice entitlement, salary and any other material compensation or benefit payable, maintained or contributed to or with respect to which any potential liability is borne by the Company (whether now or in the future) to each of the listed employees and including but not limited to the following entitlements: bonus (including type of bonus, calculation method and amounts received in 2019 and 2020), deferred compensation, commissions (including calculation method and amounts received in 2019 and 2020), overtime payment, vacation entitlement and accrued vacation, travel entitlement (e.g. travel pay, car, leased car arrangement and car maintenance payments) sick leave entitlement and accrual, shares and any other incentive payments, recuperation pay entitlement and accrual, pension arrangement and/or any other provident fund (including managers' insurance and education fund), their respective contribution rates and the salary basis for such contributions, whether such employee, is subject to Section 14 Arrangement under the Israeli Severance Pay Law - 1963 ("Section 14 Arrangement") (and, to the extent such employee is subject to the Section 14 Arrangement, an indication of whether such arrangement has been applied to such person from the commencement date of his employment and on the basis of his entire salary), last compensation increase to date including the amount thereof, and whether the employee is on leave (and if so, the category of leave, the date on which such leave commenced and the date of expected return to work). Other than their salaries and except as set forth in Section 3.16(a) of the Company Disclosure Schedule, the employees of the Company are not entitled to any payment or benefit that may be reclassified as part of their determining salary for any purpose, including for calculating any social contributions. Except as set forth in Section 3.16(a) of the Company Disclosure Schedule, no employee of the Company is entitled (whether by virtue of any Law, Contract or otherwise) to any benefits, entitlement or compensation that is not listed in Section 3.16(a) of the Company Disclosure Schedule. Except as set forth in Section 3.16(a) of the Company Disclosure Schedule and other than the grant of Promised Options, the Company did not make any promises or commitments to any of its employees or former employees, whether in writing or not, with respect to any future changes or additions to their compensation or benefits, as listed in Section 3.16(a) of the Company Disclosure Schedule. Other than as listed in Section 3.16(a) of the Company Disclosure Schedule (i) there are no other employees employed by the Company, and (ii) all Company Employees and former employees of the Company have signed an employment agreement substantially in the form delivered or made available to Purchaser.

(b) Details of any person who has accepted an offer of employment made by the Company but whose employment has not yet started and any Company's employee who was given or who received a notice of termination of his or her employment in the last twelve (12) months prior to the signing date of this Agreement are contained in Section 3.16(b) of the Company Disclosure Schedule. Except as set forth in Section 3.16(b) of the Company Disclosure Schedule, no key employee of the Company has been dismissed in the last twelve (12) months prior to the signing date of this Agreement.

(c) The Company is not and was never a party to any collective bargaining agreement, or other Contract or arrangement with a labor union, trade union or other organization or body involving any of its employees or employee representatives, or is otherwise required (under any Law, under any Contract or otherwise) to provide benefits or working conditions under any of the foregoing. The Company is not and was never a member of any employers' association or organization. The Company has never paid, is not required to pay and has never been requested to pay any payment (including professional organizational handling charges) to any employers' association or organization. Except for extension orders which generally apply to all employees in Israel to those apply to employees in the Company's filed of business, no extension orders apply to the Company and no employee of the Company benefits from any such extension orders. There are no and have never been any labor organizations representing, and to the Knowledge of the Company there are no labor organizations purporting to represent or seeking to represent, any Company's employees. The Company does not have Knowledge of any union organizing activities or proceedings of any labor union to organize any Company's employees. The Company is not engaged, and has never been engaged, in any unfair labor practice of any nature. The Company has never had any strike, slowdown, work stoppage, lockout, job action or threat thereof, or question concerning representation, by or with respect to any of the Company's employees.

(d) Section 3.16(d) of the Company Disclosure Schedule sets forth a true and complete list of all present independent contractors and consultants ("Contractors") to the Company, and includes each Contractor's name, date of commencement, and rate of all regular compensation and benefits, bonus or any other material compensation payable. Except as set forth on Section 3.16(d) of the Company Disclosure Schedule, all Contractors can be terminated on notice of thirty days or less to the Contractor. All Contractors are and were rightly classified as independent contractors and would not reasonably be expected to be reclassified by the courts or any other authority as employees of the Company, for any propose whatsoever. According to the Contractors agreements with the Company, no Contractor is entitled to any rights under the applicable labor laws. All Contractors have received all their rights to which they are and were entitled to according to any applicable law or Contract with the Company. Except as set forth on Section 3.16(d) of the Company Disclosure Schedule, the Company does not engage any personnel through manpower agencies.

(e) The Company does not have unsatisfied obligations of any nature to any of its former employees or Contractors, and their termination was in compliance with all material applicable Laws and Contracts.

(f) The Company has delivered to Purchaser: (i) accurate and complete copies of all such standard agreements; (ii) accurate and complete copies of all employee manuals and handbooks, all Company's policies and guidelines with regard to engagement terms and procedures and other material documents relating to the engagement of the Company's employees and Contractors; (iii) a written summary of all material unwritten policies, practices and customs in the Company.

(g) Except as set forth in Section 3.16(g) of the Company Disclosure Schedule, the Company is not liable for any material payment to any trust or other fund or to any Governmental Authority, with respect to unemployment compensation benefits, social security or other benefits or obligations for employees (other than routine payments to be made in the Ordinary Course, consistent with past practice and as detailed in Section 3.16(g) of the Company Disclosure Schedule). There are no pending claims against the Company under any workers' compensation plan or policy or for short or long term disability.

(h) To the Knowledge of the Company, no employee of the Company: (i) has received an offer to join a business that may be competitive with the Company's Business; or/and (ii) is in violation of any term of any employment Contract, invention assignment agreement, patent disclosure agreement, non-competition agreement, non-solicitation agreement, or any restrictive covenant to a former employer relating to the right of any such employee to be employed by the Company because of the nature of the Business or to the use of trade secrets or proprietary information of others.

(i) Except as set forth in Section 3.16(i) of the Company Disclosure Schedule, since the inception of the Company (or any predecessor entities, if applicable), the Company has been in compliance, in all material respects, with all then applicable Laws relating to employees and employment issues, including termination of employment, discrimination, terms and conditions of employment, wages, hours, overtime and overtime payment, working during rest days and occupational safety and health, privacy issues, discrimination, fringe benefits and employment practices, and have not engaged in any unfair labor practices.

(j) The Company does not currently engage any employee or Contractor, whose employment or engagement requires special licenses or permits.

(k) Without derogating from any of the above representations, the Company's liability towards its employees regarding severance pay, accrued vacation and contributions to all Company Benefit Arrangements are fully funded or if not required by any source to be funded are accrued on the Company's financial statements as of the date of such financial statements. Section 14 Arrangement was properly applied in accordance with the terms of the general permit issued by the Israeli Labor Minister regarding all former and current employees of the Company based on their full salaries and from their commencement date of employment. All amounts that the Company is legally or contractually required to either (A) deduct from its employees' salaries and any other compensation or benefit or to transfer to such employees' Company Benefit Arrangements or (B) withhold from employees' salaries and any other compensation or benefit and to pay to any Governmental Authority as required by any applicable Law, have been duly deducted, transferred, withheld and paid, and the Company does not have any outstanding obligation to make any such deduction, transfer, withholding or payment (other than routine payments, deductions or withholdings to be timely made in the ordinary course of business and consistent with past practice).

Section 3.17 Employee Benefit Plans.

(a) Section 3.17(a) of the Company Disclosure Schedule sets forth a list of each material Company Employee Plan, and each other material plan, agreement, program or arrangement providing for fringe benefits, provident funds (including pension funds, managers' insurance policies, further education funds or other similar funds), life insurance, loss of earnings insurance, severance, change in control benefits, or equity or equity-related compensation, welfare benefits, bonus, commission, incentive compensation, deferred compensation, vacation, holiday, or other compensation or benefits for the benefit of current, former or retired employees, directors, advisors or Contractors of the Company (collectively, the "Company Benefit Arrangements").

(b) With respect to each Company Employee Plan and each Company Benefit Arrangement, the Company has complied in all material respects with the terms of each Company Employee Plan and each Company Benefit Arrangement. The consummation of the Transactions will not, either alone or in combination with any other event (i) entitle any current or former employee, director, Contractor or advisor of the Company to additional severance pay, retirement benefit or any other material compensation or benefit according to any Law or Contract; or (ii) accelerate the time of payment or vesting of any award or benefit, or increase the amount of compensation due to any such employee or former employee, director, Contractor or advisor; and (iii) have a material adverse effect on the labor relations of any of the Company and to the Company's Knowledge, no Company employees or Contractor is expected to provide the Company with notice regarding his or her intention to terminate his or her employment or engagement with the Company due to the consummation of the Transactions.

(c) Except as set forth in (b)Section 3.17(b), there is no Contract to which the Company or its Subsidiary is a party covering any employee of the Company, which, individually or collectively, could reasonably be expected to give rise to the payment of any amount that would be characterized as a "parachute payment" within the meaning of Sections 280G , as a result of the transactions contemplated by this Agreement. There is no Contract to which the Company, any of its Subsidiaries or any ERISA Affiliate is a party or by which it is bound to compensate any Employee for excise Taxes paid pursuant to Section 4999 of the Code.

Section 3.18 Taxes.

(a) The Company and each of the Subsidiaries (i) have filed (taking into account any extensions of time in which to file) all material federal, state, local and foreign returns, estimates, claims for refund, information statements and reports or other similar documents with respect to any and all material Taxes (including amendments, schedules, or attachments thereto) ("Tax Returns") required to be filed with any Governmental Authority by any of them and all such filed Tax Returns are true, correct and complete, in all material respects, and were prepared in compliance with all applicable Laws and (ii) have timely paid, or have adequately reserved (in accordance with GAAP) on the most recent financial statements contained in the Company reports for the payment of, all material Taxes required to be paid (in addition to any reserve for deferred Taxes to reflect timing differences between book and Tax items or carryforwards) for all Taxable periods up to December 2019, and since then, the Company and the Company's Subsidiaries have not incurred any liability for Taxes (i) from extraordinary gains or losses within the meaning of GAAP, or (ii) outside the ordinary course of business.

(b) The Company has complied in all respects with all applicable Laws relating to the payment and withholding of Taxes from payments made or deemed made to any Person and has duly and timely withheld and paid over to the appropriate Taxing Authority all amounts required to be so withheld and paid under all applicable Laws. The Company is in compliance with, and its records contain all information and documents necessary to comply with, all applicable information reporting and withholding requirements under all applicable Tax Laws.

(c) No deficiencies for any Taxes have been asserted in writing or assessed in writing, or to the Knowledge of the Company, proposed, against the Company or any of the Subsidiaries that are not subject to adequate reserves on the consolidated financial statements of the Company and the Subsidiaries (in accordance with GAAP) as adjusted in the ordinary course of business consistent with past practice, nor has the Company or any of the Subsidiaries executed any waiver of any statute of limitations on or extending the period for the assessment or collection of any Tax. There are no Liens (other than Permitted Liens) on any of the assets of the Company or the Subsidiaries for Taxes.

(d) To the Company's knowledge, no audit of any Tax Return of the Company or any of the Subsidiaries is presently in progress, nor has the Company or any of the Subsidiaries been notified in writing of any request for such an audit.

(e) Neither the Company nor its Subsidiary has participated or engaged in any transaction or action which would require special reporting in accordance with Section 131(g) of the Israeli Tax Ordinance and the Israeli Income Tax Regulations (Tax Planning Requiring Reporting), 2006, regarding aggressive tax planning. Neither the Company nor its Subsidiary has received any "reportable tax opinion" or taken any "reportable position," all within the meaning of Sections 131D and 131E of the Israeli Tax Ordinance, Sections 67C and 67D of the Israeli Value Added Tax Law, 1975, as amended, Section 231(e) of the Customs Ordinance [New Version] 5717-1957 and Section 21(c) of Fuel Excise Law, 5718-1958.

(f) With respect to each transaction in which any of the Company's Subsidiaries have participated that is classified as a "reportable transaction" within the meaning of U.S. Treasury Regulation §1.6011-4(b)(1) (or any similar provision of the Tax Laws of any other jurisdiction), such participation has been properly disclosed on IRS Form 8886 or as otherwise required under the Tax Laws of any other jurisdiction.

(g) To the Company's knowledge, no extension of time within which to file any Tax Return required to be filed by the Company or any of the Subsidiaries is currently in effect.

(h) No action, suit, investigation, claim or assessment is pending or, to the Knowledge of the Company, threatened with respect to Taxes for which the Company or any of the Subsidiaries may be liable.

(i) No written claim has ever been made by a Governmental Authority in a jurisdiction where the Company or any of the Subsidiaries does not pay Taxes or file Tax Returns asserting that the Company or such Subsidiary, respectively, is or may be subject to Taxes assessed by such jurisdiction or required to file a Tax Return in such jurisdiction.

(j) None of the Company or the Subsidiaries is bound by any Tax indemnity, Tax sharing agreement or Tax allocation agreement or arrangement or any similar agreement with respect to Taxes, nor is there any other reason, as transferee or successor, by operation of Law or otherwise, that the Company or any of the Subsidiaries will have, as of the Closing Date, any liability for Taxes of any other entity.

(k) There are no Tax rulings, requests for rulings, private letter rulings, similar agreement, or closing agreements relating to Taxes for which the Company or any of the Subsidiaries is reasonably expected to be liable that would reasonably be expected to affect the Company's or any of the Subsidiaries' liability for Taxes for any taxable period ending after the Closing Date.

(l) None of the Company or the Subsidiaries will be required to include or accelerate the recognition of any item in income, or exclude or defer any deduction or other tax benefit, in each case in any taxable period ending after the Closing Date, as a result of any change in method of accounting, closing agreement, intercompany transaction, installment sale or the receipt of any prepaid amount, income inclusions, if applicable, such as any item of income or gain, or exclusion of any item of deduction or loss from, taxable income made on or prior to the Closing Date or any election, if applicable, under Section 108(i) of the Code, in each case prior to Closing.

(m) All Taxes that the Company or any of the Subsidiaries is required by law or contract to withhold or to collect from each payment made to any employee, independent contractor, consultant, creditor, shareholder or other person have been duly withheld and collected and have been duly and timely paid to the appropriate Governmental Authority. The Company and the Subsidiaries have complied with all record keeping and reporting requirements in connection with amounts paid or owing to any employee, independent contractor, consultant, creditor or shareholder.

(n) None of the Subsidiaries (i) is or has been an Israeli resident as defined in Section 1 of the Ordinance or (ii) has or has had any assets that principally comprise, directly or indirectly, assets located in Israel, in either case as determined in accordance with the Israeli Law relating to Taxes. To the Knowledge of the Company, neither the Company nor any of the Subsidiaries currently have, nor have ever had, a "permanent establishment" (as defined in any applicable income tax treaty) or a fixed place of business in any country other than their respective countries of incorporation.

(o) The Company has at all times been an Israeli resident for Tax purposes. Since its incorporation, the Company has not paid and has no liability for Taxes in any jurisdiction other than Israel; and no claim has been made in writing by any Tax Authority in any jurisdiction where the Company does not file Tax Returns that it is or may be subject to Tax by such jurisdiction.

(p) None of the Company or the Subsidiaries is subject to any restrictions or limitations pursuant to Part E2 of the Ordinance or pursuant to any Tax ruling made with reference to the provisions of such Part E2 or otherwise.

(q) None of the Company or the Subsidiaries has been at any time a "United States real property holding corporation" for purposes of Sections 897 and 1445 of the Code.

(r) During the last three years, none of the Company or the Subsidiaries has been a "distributing corporation" or a "controlled corporation" in a distribution intended to qualify under Section 355 of the Code (or any similar provision of Law relating to Taxes).

(s) The Company is not and has not at any time sought qualification or claimed benefits as a "Preferred Enterprise or as an "Approved Enterprise" as such terms are defined in the Law for Encouragement of Capital Investments, 1959 (the "Encouragement Law").

(t) The Company has no retained earnings which would be subject to corporate Tax due to the distribution of a "dividend" from such earnings (as the term "dividend" is specifically defined by the ITA in the framework of the Encouragement Law). Neither the Company nor any Subsidiary has ever been a real property corporation (*Igud Mekarke'in*) within the meaning of this term under Section 1 of the Israeli Land Taxation Law (Appreciation and Acquisition), 5723-1963.

(u) The Company is duly registered for the purposes of Israeli value added tax and has complied in all material respects with all requirements concerning value added Taxes ("VAT"). The Company (i) has not made any exempt transactions (as defined in the Israel Value Added Tax Law of 1975) (ii) has collected and remitted to the relevant Governmental Authority all output VAT which it is required to collect and timely remit under the VAT Law; and (iii) has not received a refund for input VAT for which it is not entitled under any applicable Law.

(v) The prices and terms for the provision of any property or services by or to the Company and the Subsidiaries are at arm's length for purposes of the relevant transfer pricing Laws, and all related documentation, if required by such Laws, has been timely prepared or obtained and, if necessary, retained. Each of the Company and the Subsidiaries complies in all material respects, with the requirements of Section 85A of the Ordinance and the regulations promulgated thereunder and any equivalent Tax Law.

(w) The Company Option Plan has received a favorable determination or approval letter from, or is otherwise approved by, or deemed approved by passage of time without objection by, the ITA under Section 102(b)(2) of the Ordinance. All Company Options and Section 102 Shares listed in Sections 3.03(a) and 3.03(b) of the Company Disclosure Schedule as intended to be subject to tax under Section 102(b)(2) of the Ordinance were and are currently in compliance in all material respects with the applicable requirements of Section 102(b)(2) of the Ordinance and the written requirements and guidance of the ITA, including the filing of the necessary documents with the ITA, the grant of Company Options only following the lapse of the required 30 day period from the filing of the Company Options Plan with the ITA, the receipt of the required written consents from the option holders, the appointment of an authorized trustee to hold the Company Options and Company Shares, the receipt of any and all tax rulings, compliance with the provisions of any tax ruling received and the due deposit of such Company Options and Company Shares with the 102 Trustee pursuant to the terms of Section 102, and applicable regulations and rules and the guidance published by the ITA on July 24, 2012 and clarification dated November 6, 2012. All Company Options granted to US taxpayers have an exercise price equal to no less than the fair market value of the underlying Company Shares on the grant date of such Company Option, as determined in accordance with Section 409A of the Code. The Company has complied with all applicable Tax Laws and requirements in connection with the exercise and/or sale of any Company Option granted under Section 3(i) of the Ordinance and has withheld all Tax that should have been required to be withheld in connection therewith under applicable Tax Laws.

(x) Other than any Tax Returns that have not yet been required to be filed (taking into account any extensions), the Company has made available to Purchaser complete copies of (i) all Tax Returns of the Company and the Subsidiaries relating to the taxable periods with respect to which the applicable statute of limitation has not already expired, (ii) any audit report issued with respect to or relating to any Taxes due from or with respect to the Company and the Subsidiaries, (iii) any closing or settlement agreements entered into by or with respect to the Company and the Subsidiaries with any Governmental Authority, (iv) all Tax opinions, memoranda and similar documents addressing Tax matters or positions of the Company and the Subsidiaries relating to the taxable periods with respect to which the applicable statute of limitation has not already expired, and (v) all material written communications to, or received by, the Company and the Subsidiaries from any Governmental Authority, including Tax rulings and Tax decisions relating to the taxable periods with respect to which the applicable statute of limitation has not already expired.

(y) The Company and the Subsidiaries have maintained up to date, full and accurate records, invoices and supporting documentation to substantiate the tax deductibility of services and expenses incurred and the deductibility of the related VAT, as well as the entries performed in the Tax returns.

Section 3.19 Company's Governmental Grants. Section 3.19A of the Company Disclosure Schedule sets forth a complete and correct list of all pending and outstanding grants from the State of Israel or any agency thereof, or from any other Governmental Authority, to the Company and to any Subsidiary (the "Governmental Grants"), including "Approved Enterprise", "Benefitted Enterprise" or "Preferred Enterprise" status conferred by the Israeli Investment Center (the "Investment Center"). No prior approval of the Investment Center, or any other Governmental Authority, is required in order to consummate the transactions contemplated under this Agreement or to preserve entitlement of the Company or any Subsidiary to any such incentive, subsidy, or benefit. Section 3.19B of the Company Disclosure Schedule sets forth a complete and correct list of all pending and outstanding grants received by the Company or any Subsidiary from the Israeli Innovation Authority (formerly known as the OCS) (the "IIA") the Company has made available to Purchaser complete and correct copies of all material documents requesting or evidencing grants, and supplements and amendments thereto, submitted by the Company or by any Subsidiary and of all letters of approval granted to the Company or to any Subsidiary. Each of the Company and of the Subsidiaries is in compliance, in all material respects, with all terms, conditions and requirements of its grants and has duly fulfilled in all respects all the undertakings relating thereto.

Section 3.20 Real Property; Absence of Liens and Encumbrances.

(a) Neither the Company nor any of its Subsidiaries currently owns, nor has ever owned any real property.

(b) Leased Real Property. Section 3.20(b) of the Company Disclosure Schedule lists all Leases of the Company, and the Company has delivered or made available to Purchaser true, correct and complete copies of all Leases, including all modifications, amendments and supplements thereto. The Company holds the leasehold interests in the Leased Real Property free and clear of all Liens other than Permitted Liens. Each Lease is in full force and effect and constitutes the legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms and, to its Knowledge, against any other party thereto (in each case, subject to General Enforceability Exceptions). All rent and other sums and charges payable by the Company under the Leases are current, the Company have not received any written notice of default or termination under any Lease, no termination event or condition or uncured default on the part of the Company or to its Knowledge, any party thereto, exists under any Lease. Neither the Company (nor any of its Affiliates) has any outstanding options or rights of first refusal to purchase any Leased Real Property or any portion thereof or interest therein.

Section 3.21 Insurance.

Section 3.21 of the Company Disclosure Schedule contains a true, correct and complete list of all policies of fire, liability, product liability, workers' compensation, health and other forms of insurance presently in effect with respect to the Business or its assets (the "Insurance Policies"), including the named insured(s) and all beneficiaries thereunder, true, correct and complete copies of which have been delivered or made available by the Company to Purchaser. All Insurance Policies are valid, outstanding and enforceable (subject to General Enforceability Exceptions) policies. All premiums payable under each such policy have been timely paid since inception of such policy and no notice of cancellation or termination has been received by the Company or its Affiliates with respect to any such policy. The Company does not have any Knowledge of, any threatened notice regarding any actual or possible refusal of any coverage or rejection of any material claims under any Company Insurance Policy.

Section 3.22 Environmental Matters.

The Company has (a) been in compliance, in all material respects, with all applicable Environmental Laws; (b) not received any written notice with respect to the business of, or any property owned or leased by, the Company from any Governmental Authority or third Person alleging that the Company is not in material compliance with any Environmental Law; and (c) not caused the "release" of any Hazardous Materials in violation of any applicable Environmental Law, so as to give rise to any material Liability under Environmental Laws for the Company.

Section 3.23 Brokers' Fees; Transaction Expenses.

The Company has no liability to pay any fees or commissions to any broker, finder or agent with respect to the Transactions based upon arrangements made by or on behalf of the Company. Other than the Transaction Expenses that will be due to the entities or individuals as set forth in the Consideration Allocation Certificate, there are no other Transaction Expenses.

Section 3.24 Fair Disclosure.

This Agreement, including the Disclosure Schedule and any certificate, instrument or other document that are exhibits to this Agreement by the Company, does not contain any misrepresentation of a material fact, and, to the knowledge of the Company, does not omit to state any material fact necessary to make the statements contained herein or therein (in the light of the circumstances under which such representations were or will be made or provided) not misleading. The Company has delivered or made available to Purchaser all documents listed in the Disclosure Schedule.

Section 3.25 Warranty Obligations; Company Product Matters.

(a) Company Products.

(i) Section 3.24(c)(i) of the Company Disclosure Schedule contains a complete and accurate list of all Company Products, including title and most current version and release number.

(ii) Each Company Product conforms in all material respects to the specifications and documentation therefor, all applicable material contractual commitments.

Section 3.26 Bank Accounts

Section 3.26 of the Company Disclosure Schedule identifies all bank and brokerage accounts of the Company, whether or not such accounts are held in the name of the Company, lists the respective signatories therefor, and lists the names of all individuals holding a power of attorney from the Company with respect to such accounts.

Section 3.27 Bankruptcy, Etc.

The Company is not involved in any Proceeding by or against it as a debtor before any Governmental Authority under any bankruptcy, winding-up, insolvency, arrangement, other similar Laws of general application affecting the enforcement of creditors' rights, or for the appointment of a trustee, receiver, liquidator, assignee, sequestrator or other similar official for any part of its assets.

Section 3.28 Foreign Corrupt Practices Act.

The Company and, to the Company's Knowledge, each employee and agent of the Company, has complied with and is in compliance with, and none of them has taken any action that has violated or would reasonably be expected to result in a failure to comply with or a violation of the Foreign Corrupt Practices Act of 1977, as amended, the rules and regulations thereunder, the OECD Convention on Combating Bribery of Foreign Public Officials in International Transactions, dated 21 November 1977, Title 5 of the Israeli Penalty Law (Bribery Transactions), the Israeli Prohibition on Money Laundering Law, 2000, or other Laws that prohibit commercial bribery, domestic corruption or money laundering, and the standards established by the Financial Action Task Force on Money Laundering.

Section 3.29 Restrictions on Business Activities.

Except as set forth in Section 3.12(a)(xiii) of the Company Disclosure Schedule, there is no agreement or judgment, injunction, order or decree (except if the aforementioned applies to all companies in the industry), in either case to which the Company is a party, or to the knowledge of the Company, subject or otherwise bound, that would reasonably be expected to prohibit, impair or otherwise limit: (a) any current business practice of the Company; (b) any acquisition of property (tangible or intangible) by the Company; (c) the conduct of Business by the Company as currently conducted; or (d) the freedom of any of the Company to engage in any line of business or to compete or do business with any Person, in each case whether arising as a result of a change in control of any of the Company. Without limiting the generality of the foregoing, the Company has not (i) entered into any agreement under which it is restricted from selling, licensing, manufacturing or otherwise distributing any Company Products or from providing services to customers or potential customers or any class of customers, in any geographic area, during any period of time, or in any segment of the market, (ii) entered into any agreement that will bind Purchaser with respect to Purchaser's or Purchaser's Affiliates' (other than the Acquired Companies) own customers, products or services.

Section 3.30 Customers and Suppliers.

Section 3.30 of the Company Disclosure Schedule sets forth a list of (a) the 10 largest customers of the Company during the last full fiscal year and the amount of revenues accounted for by such customer (including from product sales and professional services) during each such period and any Contract entered with such customer and (b) each supplier that is the sole supplier of any significant product or service to the Company. No such customer or supplier has indicated within the past year that it will stop purchasing products from the Company or materially reduce its general volume of purchases (without regard to normal short-term fluctuations) from the Company.

Section 3.31 Related Party Transactions.

Except as set forth in Section 3.31 of the Company Disclosure Schedule, no director, officer, employee of any Acquired Company or, to the Knowledge of the Company, members of any of their immediate family (each of the foregoing, a "Related Person"), other than in its capacity as a director, officer or employee of any Acquired Company (i) has been involved, directly or indirectly, in any material business arrangement or other material relationship with any Acquired Company, or (ii) directly or indirectly owns, or otherwise has any right, title, interest in, to or under, any material property or right, tangible or intangible, that is used by any Acquired Company. For purpose of this Agreement, "immediate family" of any Person shall mean spouse, parents, children and brothers and sisters of such Person.

Section 3.32 Full Disclosure.

Except for the representations and warranties expressly and specifically made by the Company in this Agreement or certificates delivered by the Company pursuant to this Agreement, the Company does not make any express or implied representation or warranty, and the Company hereby disclaims all other representations and warranties of any kind or nature, express or implied.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF THE SELLING SHAREHOLDERS

Each of the Selling Shareholders, severally and not jointly, represents and warrants, to and for the benefit of Purchaser with respect to itself (ant not anyone else), as follows:

Section 4.01 Title to Company Shares.

Each Selling Shareholder has, and, subject to Closing (including the receipt by the Paying Agent, the 104H Trustee or 102 Trustee, as applicable, of the Consideration Shares), shall deliver at the Closing to the Purchaser, good and valid title to the Company Shares set forth on Section 3.03(a) of the Company Disclosure Schedule with respect to each Selling Shareholder, free and clear of any Liens. All of such Company Shares (a) are fully paid and non-assessable, and (b) are not subject to any pending transfer or other disposal except as contemplated in this Agreement.

Section 4.02 Authority; Binding Nature of Agreements.

(a) Each Selling Shareholder has full right, power and authority to enter into and to perform such Selling Shareholder's obligations under each of the Documents to which such Selling Shareholder is or may become a party. This Agreement constitutes the legal, valid and binding obligation of such Selling Shareholder, and, assuming the due authorization, execution and delivery by all other parties hereto, is enforceable against such Selling Shareholder in accordance with its terms (subject to General Enforceability Exceptions). Upon the execution of each of the other Documents to which such Selling Shareholder is a party, each such other Document constitutes the legal, valid and binding obligation of such Selling Shareholder, and assuming the due authorization, execution and delivery by all other parties thereto, constitute the valid and enforceable against such Selling Shareholder in accordance with its terms, subject to the General Enforceability Exceptions. Each Selling Shareholder has reviewed the Estimated Consideration Allocation Chart and confirms that it agrees with the calculations set forth therein as such calculations relate to the consideration to be received by such Selling Shareholder pursuant to this Agreement. Solely with respect to US residence and to the extent applicable, the spouse, if any, of such Selling Shareholder who is a resident of a community property jurisdiction has the absolute and unrestricted right, power and capacity to execute and deliver and to perform his or her obligations under the spousal consent being executed by him or her. Said spousal consent constitutes such spouse's legal, valid and binding obligations, enforceable against him or her in accordance with its terms.

(b) If such Selling Shareholder is a corporate body: (i) it is duly incorporated and validly existing under the laws of the jurisdiction of its incorporation; and (ii) all necessary actions and conditions have been taken, fulfilled and done in order to enable it to enter into, perform and comply with its obligations hereunder and those obligations are validly, and legally binding and enforceable upon it, subject to General Enforceability Exceptions.

Section 4.03 Non-Contravention; Consents.

(a) Neither (1) the execution, delivery or performance of this Agreement by such Selling Shareholder, nor (2) the consummation of the Transactions to which such Selling Shareholder is a party by such Selling Shareholder, will (with or without notice or lapse of time):

(i) if such Selling Shareholder is not an individual, contravene, conflict with or result in a violation or breach of (i) any of the provisions of the articles of association, partnership agreement, bylaws or other charter or organizational documents of such Selling Shareholder, or (ii) any resolution adopted by the shareholders, the board of directors or any committee of the board of directors of such Selling Shareholder, in each case with respect to the transactions contemplated by this Agreement;

(ii) contravene, conflict with or result in a violation or breach by such Selling Shareholder of any provisions of any applicable Law to which such Selling Shareholder is subject to, or any order, writ, injunction, judgment or decree to which such Selling Shareholder is bound, except where any such conflicts, violations or breaches, individually or in the aggregate will not impair the ability of such Selling Shareholder to consummate the Transactions; or

(iii) contravene, conflict with or result in a violation or breach of or a default under any provision of, give any Person the right to declare a default under, cause or permit the termination, cancellation, acceleration or other change of any right or obligation or loss of any benefit under, or require any consent under, any Contract to which such Selling Shareholder is a party or by which such Selling Shareholder is bound or any license, franchise, permit, certificate, approval or other similar authorization affecting, or relating to, such Selling Shareholder, except where any such conflicts, violations, breaches, defaults, rights or losses individually or in the aggregate will not impair the ability of such Selling Shareholder to consummate the Transactions.

(b) No Consent is required from, any Person (including any Governmental Authority) in connection with (x) the execution, delivery or performance by such Selling Shareholder of the Documents to which such Selling Shareholder is a party or (y) the consummation by such Selling Shareholder of the Transactions, other than where the failure to make filings, give notice or obtain Consents will not impair the ability of such Selling Shareholder to consummate the Transactions.

(c) For the purpose of clarity, the representations and warranties made by each Selling Shareholder in this Article IV do not relate to any compliance or other requirements that may apply to the Company, the Purchaser or Parent in connection with the Transactions (such as compliance with anti-trust Laws, if applicable).

Section 4.04 Capacity of Selling Shareholder.

(a) Each Selling Shareholder has the capacity to comply with and perform all of such Selling Shareholder's covenants and obligations under each of the Documents to which such Selling Shareholder is or may become a party.

(b) Each Selling Shareholder has not (A) made a general assignment for the benefit of creditors, (B) is not bankrupt or insolvent, (C) suffered the attachment or other judicial seizure of all or a substantially all of such Selling Shareholder's assets, (D) admitted in writing such Selling Shareholder's inability to pay such Selling Shareholder's debts as they become due, or (E) taken or been the subject of any action that will have an adverse effect on such Selling Shareholder's ability to comply with or perform any of such Selling Shareholder's covenants or obligations under any of the Documents; or

(c) There is no Proceeding pending, and, to such Selling Shareholder's Knowledge, no Person has threatened to commence any Proceeding against such Selling Shareholder (in his/her/its capacity as such) that may have an adverse effect on the ability of such Selling Shareholder to comply with or perform any of such Selling Shareholder's covenants or obligations under any of the Documents.

Section 4.05 Tax Withholding Information.

Any and all information provided to Purchaser by such Selling Shareholder (if any) for purposes of enabling Purchaser to determine the amount to be deducted and withheld from the consideration payable to such Selling Shareholder pursuant to this Agreement under applicable Law is true, accurate and complete.

Section 4.06 Finder's Fees.

There is no investment banker, broker, finder or other intermediary that has been retained by or is authorized to act on behalf of such Selling Shareholder who is entitled to any fee or commission from any Acquired Company or any of its Affiliates in connection with the Transactions.

Section 4.07 No Registration; Transfer Restrictions.

Each Selling Shareholder acknowledges that it has such knowledge and experience in financial or business matters that it is capable of evaluating and understanding the merits and risks of the Consideration Shares. Each Selling Shareholder understands that there is no assurance of any economic benefit which may arise in favor of Such Selling Shareholder, and each Selling Shareholder further acknowledges that, without derogating from the Purchaser's representations and warranties under Section 5 below, it may incur material financial losses in entering into the transactions contemplated hereunder. Such Selling Shareholder, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Consideration Shares, and has so evaluated the merits and risks of such investment. Such Selling Shareholder is able to bear the economic risk of an investment in the Consideration Shares and, at the present time, is able to afford a complete loss of such investment. Such Selling Shareholder acknowledges that as of the date hereof, the Company has limited financial resources, and thus an investment in the Consideration Shares is subject to significant risk. Each Selling Shareholder is either (i) an accredited investor as defined in Rule 501(a) of Regulation D promulgated under Act, or (ii) a Non U.S. Person as defined under Regulation S promulgated under the Securities Act. To the extent that a Selling Shareholder is a non U.S. Person, such Selling Shareholder (x) is not receiving the Consideration Shares for the account or benefit of any U.S. Person, (y) is not, at the time of execution of this Agreement, and will not be, at the time of the issuance of the Consideration Shares, in the United States and (z) is not a "distributor" (as defined in Regulation S promulgated under the Act).

Such Selling Shareholder acknowledges that it has had the opportunity to review the ancillary agreements relating to this Agreement (including all exhibits and schedules thereto) and the SEC Reports and has been afforded (i) the opportunity to ask such questions as it has deemed necessary of, and to receive answers from, representatives of the Company concerning the terms and conditions of the offering of the Consideration Shares and the merits and risks of investing in the Consideration Shares; (ii) access to information about the Company and its financial condition, results of operations, business, properties, management and prospects sufficient to enable it to evaluate its investment; and (iii) the opportunity to obtain such additional information that the Company possesses or can acquire without unreasonable effort or expense that is necessary to make an informed investment decision with respect to the investment.

Each Selling Shareholder understands and acknowledges that any part hereof may only be disposed of in compliance with state and federal securities laws. In connection with any transfer of Consideration Shares, other than pursuant to an effective registration statement or Rule 144 under the Act, to an affiliate (as such term is defined in Rule 144) of Such Selling Shareholder or in connection with a pledge, the Purchaser or the Parent may require the transferor thereof to provide to the Purchaser or the Parent, as applicable, an opinion of counsel to such Selling Shareholder, to the effect that such transfer does not require registration of such transferred Consideration Shares under the Securities Act.

Subject to Section 7.13, each Selling Shareholder agrees to the imprinting, so long as is required, of a legend on any of the Consideration Shares issuable upon the transactions in this Agreement in the following form:

"THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS REGISTERED UNDER THE SECURITIES ACT AND UNDER APPLICABLE STATE SECURITIES LAWS OR THE COMPANY SHALL HAVE RECEIVED AN OPINION OF COUNSEL THAT REGISTRATION OF SUCH SECURITIES UNDER THE SECURITIES ACT AND UNDER THE PROVISIONS OF APPLICABLE STATE SECURITIES LAWS IS NOT REQUIRED."

Subject to Section 7.13, each certificate representing the Consideration Shares, if such Consideration Shares are being offered in reliance upon Regulation S, shall be stamped or otherwise imprinted with a legend substantially in the following form (in addition to any legend required by applicable state securities or "blue sky" laws):

"THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS AND NEITHER SUCH SECURITIES NOR ANY INTEREST THEREIN MAY BE OFFERED, SOLD, PLEDGED, ASSIGNED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH THE PROVISIONS OF REGULATION S PROMULGATED UNDER THE SECURITIES ACT, AND BASED ON AN OPINION OF COUNSEL, WHICH COUNSEL AND OPINION ARE REASONABLY SATISFACTORY TO THE COMPANY, THAT THE PROVISIONS OF REGULATION S HAVE BEEN SATISFIED, (2) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS OR (3) PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS, IN WHICH CASE THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE COMPANY AN OPINION OF COUNSEL, WHICH COUNSEL AND OPINION ARE REASONABLY SATISFACTORY TO THE COMPANY, THAT SUCH SECURITIES MAY BE OFFERED, SOLD, PLEDGED, ASSIGNED OR OTHERWISE TRANSFERRED IN THE MANNER CONTEMPLATED PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. HEDGING TRANSACTIONS INVOLVING THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE CONDUCTED UNLESS IN COMPLIANCE WITH THE SECURITIES ACT."

Section 4.08 No Other Representations.

Except for the representations and warranties expressly and specifically made by such Selling Shareholder in this Article IV, such Selling Shareholder does not make any express or implied representation or warranty, and hereby disclaims all other representations and warranties of any kind or nature, express or implied.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants to the Company and each Indemnifying Person that:

Section 5.01 Organization

Purchaser is a corporation duly organized and validly existing under the Laws of the State of Israel.

Section 5.02 Authority Relative to this Agreement

Purchaser has all requisite power and authority (corporate or otherwise) to execute, deliver and preform this Agreement and each Document to which it is a party and any and all instruments necessary or appropriate in order to effectuate fully the terms and conditions of each such Agreement and Document to which it is a party and to perform and consummate the Transactions. The Agreement and each Document to which Purchaser is a party, and the performance of its respective obligations hereunder and thereunder, have been duly and validly authorized by all requisite action on the part of Purchaser, and the Agreement and each Document to which Purchaser is a party has been duly and validly executed and delivered by Purchaser and constitutes, or upon its execution and delivery as contemplated by this Agreement will constitute, a valid and legally binding obligation of Purchaser enforceable against Purchaser in accordance with its terms and conditions, except as limited by the General Enforceability Exceptions. The Board of Directors (or the appropriate committee thereof) of the Purchaser (i) has determined that this Agreement, the Documents and the other transactions contemplated hereby are desirable and in the best interests of the Purchaser and its shareholders and (ii) have approved this Agreement, the Documents to which it is a party, and the other transactions contemplated hereby. No other corporate proceedings on the part of the Purchaser are necessary to authorize this Agreement, the Documents to which it is a party or any certificate or other instrument required to be executed and delivered by the Purchaser pursuant hereto or to consummate the issuance of the Consideration Shares or any other transactions contemplated hereby or thereby. None of such actions have been amended, rescinded or modified.

Section 5.03 No Conflict

The execution, delivery and performance by Purchaser of the Documents to which it is a party, and the consummation of the Transactions as contemplated herein, will not (a) violate any Law applicable to Purchaser or any of its assets; or (b) conflict with, or result in any breach of, any of the terms, conditions or provisions of, or constitute (with due notice or lapse of time, or both) a default under, or give rise to any right of termination, cancellation or acceleration under, or require the consent, release, waiver or approval of any third party under, or result in the creation of any Lien upon any of its assets under any provision of (i) the Documents; (ii) Purchaser's Fundamental Documents; (iii) any Permit of the Purchaser; or (iv) any material Contract to which it is a party or by which it or its assets is or may be bound.

Section 5.04 Governmental Consents and Approvals

Except for any required Antitrust Filings and filings required with the Companies Registrar following the Closing, Purchaser and Parent have not been and are not required to give any notice to, or make any filing with, any Governmental Authority or any other Person, or obtain any Permit, in each case for the valid execution, delivery and performance by Purchaser of the Documents.

Section 5.05 Litigation

There is no Proceeding pending, or to the Purchaser's Knowledge, threatened against or affecting the Purchaser that, individually or in the aggregate with similar Proceedings, would reasonably be expected to limit Purchaser's ability to consummate the Transactions hereunder.

Section 5.06 Acknowledgement of the Purchaser's Receipt of Information

The Purchaser acknowledges and agrees that it, or its Representatives (a) has had an opportunity to ask questions and receive answers and materials, and to discuss the business of the Company and its Subsidiaries and any other related matter, with certain key officers of the Company and its Subsidiaries, and (b) has conducted its own independent investigation of the Company and its Subsidiaries, their respective Businesses and the Transactions contemplated hereunder. The Purchaser hereby acknowledges and agrees that other than the Company and Selling Shareholders' representations and warranties set forth in Article 3 and Article 4 hereof, none of the Company and Selling Shareholders or any of their Representatives make or have made any representation or warranty, express or implied, at law or in equity, with respect to the Business of the Company or any Subsidiary thereof nor with respect to the Company share capital, including with respect to any information provided or made available to the Parent or Purchaser.

Section 5.07 No Other Representations.

Except for the representations and warranties expressly and specifically made by the Purchaser in this Article V, the Purchaser does not make any express or implied representation or warranty, and hereby disclaims all other representations and warranties of any kind or nature, express or implied.

ARTICLE VI
REPRESENTATIONS OF PARENT

Except as set forth in this Agreement, the SEC Reports or in the Parent Disclosure Schedules delivered to the Company on the date of this Agreement, the representations and warranties of the Parent contained in this Section 6 are true and correct as of the date of this Agreement.

Section 6.01 The Parent is a corporation duly incorporated and validly existing in good standing under the laws of the State of Delaware and has the requisite power and authority to own its properties and to carry on its business. Section 6.01 of the Parent Disclosure Schedule lists each entity owned or controlled, directly or indirectly by the Parent (each a "Parent Subsidiary" and collectively, the "Parent Subsidiaries"). Each Parent Subsidiary is duly incorporated or formed, as applicable, validly existing and in good standing under the laws of the state or foreign jurisdiction of its incorporation or formation, as applicable, as set forth in Section 6.01 of the Parent Disclosure Schedule. Except as set forth on Section 6.01 of the Parent Disclosure Schedule, neither the Parent nor any Parent Subsidiary (i) owns or controls, directly or indirectly, any interest in any other corporation, association or other business entity or (ii) participates in any joint venture, partnership or similar arrangement. Each Parent Subsidiary has the requisite company power to own, operate and lease its properties and to carry out its business. Each of the Parent and the Parent Subsidiaries (collectively referred to herein as the "Parent Group") is qualified or licensed to do business in the jurisdictions listed in Section 6.01 of the Parent Disclosure Schedule, except for any failure to be so qualified or licensed that would not have a Material Adverse Effect. Each member of the Parent Group is qualified or licensed to do business in all jurisdictions in which the character of the properties owned or held under lease by it or the nature of its business makes qualification necessary, except where the failure to be so qualified or licensed would not reasonably be expected to result in a Material Adverse Effect. No member of the Parent Group is in violation of any provision of any of its organizational documents.

Section 6.02 The Parent has all requisite corporate power and authority to enter into and perform its obligations under this Agreement and the applicable Documents.

Section 6.03 The Consideration Shares to be issued by Parent at Closing have been duly authorized for issuance pursuant to this Agreement and, when issued and delivered by the Parent pursuant to this Agreement against the receipt of Company Shares as set forth herein, will be duly and validly issued, fully paid and non-assessable and will have the rights, preferences and priorities set forth in the Parent's Certificate of Incorporation. The shares of Parent Common Stock have been duly authorized and reserved for issuance and when issued by the Parent, will be duly and validly issued, fully paid and non-assessable.

Section 6.04 Prior to the Closing, each of the applicable Documents (other than this Agreement, which has already been authorized) will have been duly authorized. This Agreement has been duly authorized, executed and delivered and constitutes, and each of the other applicable Documents, upon due execution and delivery, will constitute, valid and binding obligations of the Parent, enforceable against the Parent in accordance with their respective terms (i) except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect related to laws affecting creditors' rights generally, including the effect of statutory and other laws regarding fraudulent conveyances and preferential transfers, and except that no representation is made herein regarding the enforceability of the Parent 's obligations to provide indemnification and (ii) subject to the limitations imposed by general equitable principles (regardless of whether such enforceability is considered in a proceeding at law or in equity).

Section 6.05 Neither the execution and the delivery of this Agreement or any applicable Transaction Document, nor the consummation of the transactions contemplated hereby, will (with or without the passage of time or giving of notice): (i) violate any injunction, judgment, order, decree, ruling, charge or other restriction, or any Law applicable to any member of the Parent Group, (ii) violate any provisions of any of the charter documents of any member of the Parent Group, (iii) violate or constitute a default (or any event which, with or without due notice or lapse of time, or both, would constitute a violation or default) under, result in the termination of, accelerate the performance required by any of the terms, conditions or provisions of any Parent Material Contract (as defined in Section 6.11 below) of any member of the Parent Group, or by which any member of the Parent Group, or any of its respective operating assets, is bound or (iv) result in the creation of any lien, charge or other encumbrance on the assets or properties of any member of the Parent Group.

Section 6.06 The Parent has filed all SEC Reports on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension. The SEC Reports complied in all material respects with the requirements of the Securities Act and the Exchange Act, as applicable, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The financial statements of the Parent included in the SEC Reports comply in all material respects with applicable accounting requirements and the rules and regulations of the Commission with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with GAAP, except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by GAAP, and fairly present in all material respects the financial position of the Parent and its Subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments.

Section 6.07 Since the date of the Parent's most recent financial statements as set forth in Section 6.07 of the Parent Disclosure Schedule, there has been no Material Adverse Effect.

Section 6.08 The conduct of business by members of the Parent Group as presently and proposed to be conducted is not subject to continuing oversight, supervision, regulation or examination by any governmental official or body of the United States, or any other jurisdiction wherein any such members currently conduct such business, except as described in the Agreement. Neither the Parent, nor any other member of the Parent Group has received any notice of any violation of, or noncompliance with, any Law applicable to its business, the violation of, or noncompliance with, which would have or would reasonably be expected to have a Material Adverse Effect, and the Parent knows of no facts or set of circumstances which could give rise to such a notice.

Section 6.09 Each member of the Parent Group has all franchises, permits, authorizations, licenses, and any similar authority necessary for the conduct of its business, except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Except as disclosed in the Agreement or the SEC Reports, no member of the Parent Group has received written notice of (i) any pending proceedings which could reasonably be expected to result in the revocation, cancellation, suspension of any adverse modification of any such franchises, permits, authorizations, licenses or other similar authority or (ii) any default under any of such franchises, permits, licenses, authorizations or other similar authority, except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 6.10 Except as disclosed in the Agreement or in the SEC Reports, no breach or default by any member of the Parent Group or, to the Parent's knowledge, any other party, exists in the due performance under any of the terms of any note, bond, indenture, mortgage, deed of trust, lease, rental agreement, material contract, material purchase or sales order or other material agreement or instrument to which any member of the Parent Group is a party or by which it or its property is bound or affected (each of the foregoing, a "Parent Material Contract"), and there exists no condition, event or act which constitutes, nor which after notice, the lapse of time or both, could constitute a default under any of the foregoing, except as would not, individually or in the aggregate, has had or is reasonably be expected to have a Material Adverse Effect. The Parent Material Contracts disclosed in the Agreement are accurately described in the Agreement and are in full force and effect in accordance with their respective terms, subject to any applicable bankruptcy, insolvency or other laws affecting the rights of creditors generally and to general equitable principles and the availability of specific performance.

Section 6.11 The members of the Parent Group collectively, solely and exclusively own all right, title and interest in, or possesses enforceable rights to use, all patents, patent applications, trademarks, service marks, copyrights, rights, licenses, franchises, trade secrets, confidential information, processes and formulations necessary for the conduct of its business as now conducted (collectively, the "Parent Intangibles"), except where the failure to own or possess such rights would not, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect. To the Parent's knowledge, no member of the Parent Group has infringed upon the rights of others with respect to the Parent Intangibles and, except as disclosed in the Agreement, no member of the Parent Group has received any notice that such member has or may have infringed or is infringing upon the rights of others with respect to the Parent Intangibles, nor has such member received any written notice of conflict with the asserted rights of others with respect to the Parent Intangibles. To the Parent's knowledge, all such Parent Intangibles are enforceable and no others have infringed upon the rights of any members of the Parent Group with respect to the Parent Intangibles. None of the Parent Intangibles have expired or terminated, or are expected to expire or terminate, within three years from the date of this Agreement. All current and former officers, employees, consultants and independent contractors of each member of the Parent Group having access to proprietary information of a member of the Parent Group, its customers or business partners and inventions owned by any member of the Parent Group have executed and delivered to the applicable member of the Parent Group an agreement regarding the protection of such proprietary information. The Parent Group has secured, by valid written assignments from all of Parent Group's current and former consultants, independent contractors and employees who were involved in, or who contributed to, the creation or development of any Parent Intangibles, unencumbered and unrestricted exclusive ownership of each such third party's Parent Intangibles in their respective contributions, except where the failure to do so would not individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. No current or former employee, officer, director, consultant or independent contractor of any member of the Parent Group has any right, license, claim or interest whatsoever in or with respect to any Parent Intangibles.

Section 6.12 Except as set forth in the Agreement or the SEC Reports, no member of the Parent Group is a party to any collective bargaining agreement nor does it employ any member of a union. No executive officer of any member of the Parent Group has provided written notice that such officer intends to leave the Parent Group or otherwise terminate such officer's employment with the Parent Group. No executive officer of any member of the Parent Group, to the Parent's knowledge, is in violation of any material term of any employment contract, confidentiality, disclosure or proprietary information agreement, non-competition agreement, or any other contract or agreement or any restrictive covenant, and the continued employment of each such executive officer does not subject the Parent Group to any material liability with respect to any of the foregoing matters. Each member of the Parent Group is in compliance with all federal, state, local and foreign laws and regulations respecting labor, employment and employment practices and benefits, terms and conditions of employment and wages and hours, except where failure to be in compliance would not, either individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. No labor dispute with the employees of the Parent or any of its subsidiaries exists or, to the Parent's knowledge, is threatened, and the Parent has no knowledge of any existing or imminent labor dispute by the employees of any of its principal suppliers, manufacturers, customers or contractors.

Section 6.13 Except (i) as set forth in the Agreement, (ii) may be required under state securities or Blue Sky laws, (iii) as may be required under the Securities Act, the rules and regulations of the Commission under the Securities Act (the "Securities Act Regulations"), the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), the rules and regulations of the SEC under the Exchange Act (the "Exchange Act Regulations"), the rules of Nasdaq (the "Exchange") or (iv) will have been obtained or made on or prior to the Closing, no consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with any court or governmental authority or other Person on the part of any member of the Parent Group is required in connection with the issuance of the Consideration Shares or the consummation of the transactions contemplated herein or in the other applicable Documents.

Section 6.14 Subsequent to the respective dates as of which information is given in the Agreement, each of the members of the Parent Group has operated their respective businesses in the ordinary course and, except as may otherwise be set forth in the Agreement or in the SEC Reports, there has been no: (i) Material Adverse Effect; (ii) transaction otherwise than in the ordinary course of business consistent with past practice; (iii) issuance of any securities (debt or equity) or any rights to acquire any such securities other than pursuant to equity incentive plans approved by its board of directors; (iv) damage, loss or destruction, whether or not covered by insurance, with respect to any asset or property of any members of the Parent Group; or (iv) agreement to permit any of the foregoing.

Section 6.15 There is no action, suit, inquiry, notice of violation, proceeding or investigation pending or, to the knowledge of the Parent , threatened against or affecting the Parent , any member of Parent Group or any of their respective properties before or by any court, arbitrator, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) (collectively, an "Action") which (i) adversely affects or challenges the legality, validity or enforceability of any of the applicable Documents or the Consideration Shares or (ii) could, if there were an unfavorable decision, have or reasonably be expected to result in a Material Adverse Effect. Neither the Parent nor any member of the Parent Group, nor any director or officer thereof, is or has been the subject of any Action involving a claim of violation of or liability under federal or state securities laws or a claim of breach of fiduciary duty. There has not been, and to the knowledge of the Parent, there is not pending or contemplated, any investigation by the Commission involving the Parent or any current or former director or officer of the Parent. The Commission has not issued any stop order or other order suspending the effectiveness of any registration statement filed by the Parent or any member of the Parent Group under the Exchange Act or the Securities Act.

Section 6.16 No member of the Parent Group is: (i) in violation of its charter documents, (ii) in violation of any statute, rule or regulation applicable to such member, the violation of which would have or would reasonably be expected to have a Material Adverse Effect; or (iii) in violation of any judgment, decree or order of any court or governmental body having jurisdiction over such member of the Parent Group, which violation or violations individually, or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

Section 6.17 Except as disclosed in the Agreement, none of the shareholders of the Parent, or any director, officer or manager of the Parent or any member of the Parent Group (i) owns, directly or indirectly, any interest in any Person which is a competitor, supplier or customer of any member of the Parent Group (unless such person is a publicly traded company), (ii) owns, directly or indirectly, in whole or in part, any property, asset or right, real, personal or mixed, tangible or intangible (including any of the Parent Intangibles) which is utilized by or in connection with the business of any member of the Parent Group, (iii) is a customer of, or supplier to, any member of the Parent Group or (iv) directly or indirectly has an interest in or is a party to any Parent Material Contract pertaining or relating to any member of the Parent Group. In addition, no shareholder of the Parent, director, officer or employee of the Parent or any Shareholder, nor, to the Parent's knowledge, any affiliate of any such person is presently, directly or indirectly through his/her affiliation with any other person or entity, a party to any loan from any member of the Parent Group.

Section 6.18 Each of the Parent and the members of the Parent Group has filed, on a timely basis, each federal, state, local and foreign tax return, report and declarations that were required to be filed, or has requested an extension therefor and has paid all taxes and all related assessments, charges, penalties and interest to the extent that the same have become due. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Parent know of no basis for any such claim. Neither the Parent nor any Subsidiary has executed any waiver with respect to the statute of limitations relating to the assessment or collection of any foreign, federal, state or local tax. To the Parent's knowledge, none of the Parent Group's tax returns is presently being audited by any taxing authority. No liens have been filed and no claims are being asserted by or against any member of the Parent Group with respect to any taxes (other than liens for taxes not yet due and payable). The Parent has received no notice of assessment or proposed assessment of any taxes claimed to be owed by it or any other Person on its behalf. Neither the Parent nor any member of the Parent Group is a party to any tax sharing or tax indemnity agreement or any other agreement of a similar nature that remains in effect. The Parent and the Subsidiaries have complied in all material respects with all applicable legal requirements relating to the payment and withholding of taxes and, within the time and in the manner prescribed by law, has withheld from wages, fees and other payments and paid over to the proper governmental or regulatory authorities all amounts required.

Section 6.19 Except as otherwise disclosed in the Agreement or the SEC Reports, (i) each member of the Parent Group has at all times conducted and currently conducts its business in compliance, in all material respects, with all Environmental Laws, including having and complying with all environmental permits, licenses and other approvals and authorizations necessary for the operation of its business as presently conducted, (ii) no member of the Parent Group has received any communication from any Governmental Authority or any other Person alleging that it may be or was in violation of, or liable under, any Environmental Law, and (iii) there is no claim pending, or to the Parent's knowledge, threatened, against the Parent or any member of the Parent Group arising under any Environmental Law.

Section 6.20 Except as disclosed in the Agreement or the SEC Reports, neither the Parent nor any member of the Parent Group owns any real property. Each of the Parent and the members of the Parent Group has good and marketable title to all personal property and assets reflected as owned by it in the financial statements referred to in Section 6.06 above and which are material to the business of the Parent or such member of the Parent Group, in each case free and clear of any security interests, mortgages, liens, encumbrances, claims and other defects, except such as do not materially and adversely affect the value of such property and do not materially interfere with the use made or proposed to be made of such property. The real property, improvements, equipment and personal property held under lease by each of the Parent and the members of the Parent Group are held under valid and enforceable leases, with such exceptions as are not material, and do not materially interfere with the use made or proposed to be made of such real property, improvements, equipment or personal property. With respect to the property and assets leased, each member of the Parent Group is in compliance with such leases.

Section 6.21 Each member of the Parent Group and any "employee benefit plan" (as defined under the Employee Retirement Income Security Act of 1974, as amended, and the regulations and published interpretations thereunder (collectively, "ERISA")) established or maintained by the Parent, the Members of the Parent Group or their "ERISA Affiliates" (as defined below) are in compliance in all material respects with ERISA. "ERISA Affiliate" means, with respect to the Parent or a member of the Parent Group, any member of any group of organizations described in Sections 414(b), (c), (m) or (o) of the Code, of which the Parent or such member of the Parent Group is a member. Each "employee benefit plan" established or maintained by the Parent, its subsidiaries or any of their ERISA Affiliates that is intended to be qualified under Section 401(a) of the Code is so qualified and nothing has occurred, whether by action or failure to act, which would cause the loss of such qualification.

Section 6.22 Neither the Parent, any of its Subsidiaries, nor, to the Parent's knowledge, any director, officer, agent, employee or other Person acting on behalf of any of such entities has, in the course of its actions for, or on behalf of, the Parent or any Subsidiary has taken any action, directly or indirectly, that would result in a violation by such persons of the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder (the "FCPA"), including, without limitation, making use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay or authorization of the payment of any money, or other property, gift, promise to give, or authorization of the giving of anything of value to any "foreign official" (as such term is defined in the FCPA) or any foreign political party or official thereof or any candidate for foreign political office, in contravention of the FCPA and the Parent, its Subsidiaries and, to the Parent's knowledge, its and their respective affiliates have conducted their businesses in compliance with the FCPA and have instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance therewith.

Section 6.23 The operations of the Parent and its Subsidiaries are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all applicable jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any Governmental Authority (collectively, the "Money Laundering Laws"); and no action, suit or proceeding by or before any Governmental Authority involving the Parent or any of its Subsidiaries with respect to the Money Laundering Laws is pending or, to the knowledge of the Parent, threatened.

Section 6.24 Neither the Parent, any of its Subsidiaries nor, to the Parent's knowledge, its or their respective directors, officers, agents, employees or affiliates are currently the subject of sanctions administered or enforced by the United States Government, including, without limitation, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"), the United Nations Security Council, the European Union, Her Majesty's Treasury, or other relevant sanctions authority applicable to the Parent and its Subsidiaries (collectively, "Sanctions"), nor is the Parent or any of its Subsidiaries located, organized or resident in a country or territory that is the subject of Sanctions.

Section 6.25 Parent maintains an effective system of "disclosure controls and procedures" (as defined in Rule 13a-15(e) of the Exchange Act) that complies with the requirements of the Exchange Act and that has been designed to ensure that information required to be disclosed by the Parent in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, including controls and procedures designed to ensure that such information is accumulated and communicated to the Parent's management as appropriate to allow timely decisions regarding required disclosure.

Section 6.26 Except as described in the Agreement or the SEC Reports, the Parent maintains effective internal control over financial reporting (as defined under Rule 13a-15 and 15d-15 of the Exchange Act Regulations) and a system of internal accounting controls sufficient to provide reasonable assurances that (A) transactions are executed in accordance with management's general or specific authorization; (B) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain accountability for assets; (C) access to assets is permitted only in accordance with management's general or specific authorization and (D) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences Except as described in the Agreement or the SEC Reports, since the end of the Parent's most recent audited fiscal year, there has been (1) no material weakness in the Parent's internal control over financial reporting (whether or not remediated) and (2) no change in the Parent's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Parent's internal control over financial reporting.

Section 6.27 Each of the Parent and its subsidiaries is insured by recognized, financially sound and reputable institutions with policies in such amounts and with such deductibles and covering such risks as are prudent and customary in the business in which it is engaged, including directors and officers liability.

Section 6.28 The Parent Common Stock is registered pursuant to Section 12(b) or 12(g) of the Exchange Act and is listed on the Exchange; the Parent has taken no action designed to, or likely to have the effect of, terminating the registration of the Parent Common Stock under the Exchange Act or delisting the Parent Common Stock from the Exchange; except as set forth in the Agreement or the SEC Reports, the Parent has not received any notice that it is out of compliance with the listing or maintenance requirements of the Exchange and the Parent is, and will continue to be, in material compliance with all such listing and maintenance requirements; and the Parent has not received any notification that the SEC or the Exchange is contemplating terminating the registration of the Parent Common Stock under the Exchange Act or delisting the Parent Common Stock from the Exchange. No representation or warranty by the Parent contained in Section 6 of this Agreement and no statement by the Parent contained in the Parent Disclosure Schedule contains any untrue statement of a material fact, or omits to state a material fact necessary to make the statements contained therein, in the light of the circumstances in which they are made, not misleading.

ARTICLE VII
COVENANTS OF THE PARTIES

Section 7.01 **Access to Records and Properties of the Company**

Subject to applicable Law, from the date of this Agreement to the earlier of the Closing or the termination of this Agreement in accordance with its terms, the Company shall and shall cause the Company's Representatives acting on its behalf to (a) provide to the Purchaser and its Representatives reasonable access to the officers, employees, agents, properties, offices and other facilities of the Company and to the books and records thereof during normal business hours of the Company (and, as applicable, the U.S. Subsidiary), and (b) furnish promptly such information concerning the Business, properties, Contracts, assets, liabilities, personnel and other aspects of the Company, as the Purchaser may reasonably request, including access to the Company's Tax Returns and any communications with any Tax Authority.

Section 7.02 **Conduct of the Business**

During the period commencing as of the date hereof, and prior to the earlier of the Closing and the termination of this Agreement in accordance with its terms, except as expressly contemplated by this Agreement or the Documents or as specifically consented to by Parent in advance in writing, which consent shall not unreasonably withstand, delayed or conditioned, the Company (i) shall carry on the Business in the Ordinary Course in substantially the same manner as heretofore conducted (including, without limitation, pay the debts and Taxes of the Company when due (except upon mutual agreement of the Company and Purchaser), pay or perform other obligations when due, and keep available the services of the present officers and employees of the Company and preserve the relationships of the Company with customers, suppliers, distributors, licensors, licensees, and others having business dealings with them), (ii) shall maintain its current accounting methods or practices (other than as required by GAAP) and (iii) shall not take any action inconsistent with the provisions of this Agreement or any of the other Documents to which it is a party.

Section 7.03 **Notices of Certain Events**

During the period from the date of this Agreement until the earlier of the termination of this Agreement in accordance with its terms or the Closing, (a) the Company shall promptly notify the Purchaser in writing, after becoming aware of the occurrence, or failure to occur, of any event, which occurrence or failure to occur would be reasonably likely to cause: (i) any representation or warranty of the Company that is contained in any Document to be untrue or inaccurate in any material respect; (ii) a violation or breach of any covenant of the Company contained in this Agreement and any of the Documents; or (iii) in the event it reasonably believes that any condition to Closing set forth in this Agreement cannot be satisfied, and (b) (a) the Purchaser or Parent (as applicable) shall promptly notify the Company in writing, after becoming aware of the occurrence, or failure to occur, of any event, which occurrence or failure to occur would be reasonably likely to cause: (i) any representation or warranty of the Purchaser or Parent that is contained in any Document to be untrue or inaccurate in any material respect; or (ii) a violation or breach of any covenant of the Purchaser and/or the Parent contained in this Agreement or any of the Documents; or (b) in the event it reasonably believes that any condition to Closing set forth in this Agreement cannot be satisfied. No disclosure by the Company pursuant to this Section 7.03, however, will be deemed to amend or supplement the Company Disclosure Schedule or Parent Disclosure Schedule (as applicable), or to prevent or cure any misrepresentation, breach of warranty or breach of covenant of the Company, the Purchaser or Parent (as applicable) under this Agreement or any other Document.

Section 7.04 **No Solicitation**

From the date of this Agreement through the earlier of the Closing or the termination of this Agreement in accordance with its terms, none of the Selling Shareholders or the Company shall (and shall cause their respective Representatives and, in the case of the Company, its Subsidiaries to not), directly or indirectly, (a) solicit, initiate or encourage (including by way of furnishing any information that the Company or such Selling Shareholder that could be used for the purposes of formulating any inquiry, expression of interest, proposal or offer relating to an Acquisition Proposal or take any other action regarding any inquiry, expression of interest, proposal or offer that constitutes, or would reasonably be expected to lead to, an Acquisition Proposal) or take any action to facilitate any inquiry or the making or submission of any proposal or offer, or any action likely to lead to the submission of such a proposal or offer, from any Person relating to an Acquisition Proposal, (b) participate or propose to participate in any discussions, conversations, negotiations or other communications regarding, or furnish to any Person other than the Parent any information in connection with or relating to, or otherwise cooperate in any way with or assist or facilitate any Acquisition Proposal, (c) enter into any letter of intent, memorandum of understanding or Contract with respect to any Acquisition Proposal or (d) sell, transfer or otherwise dispose of, or enter into any Contract with respect to the sale, transfer or disposition of, any interest in Securities of the Company other than as provided in this Agreement. The Company and each Selling Shareholder immediately shall cease and cause to be terminated any existing discussions, conversations, negotiations and other communications with any Persons with respect to any Acquisition Proposal. The Company and each Selling Shareholder shall notify Purchaser promptly if any Acquisition Proposal, or any inquiry, offer, proposal, indication of interest or other contact with any Person with respect to any Acquisition Proposal (each, an "**Inquiry**"), is made and shall, in any such notice to Purchaser, indicate the identity of the Person making such Acquisition Proposal or Inquiry and the terms and conditions of such Acquisition Proposal or Inquiry (including a copy of any written or electronic mail transmissions received in connection therewith).

Section 7.05 Regulatory and Other Authorizations; Notices and Consents

(a) Each of the Purchaser and the Company shall use its commercially reasonable efforts to (i) take, or cause to be taken, all appropriate action, and do, or cause to be done, all things necessary, proper or advisable under any applicable Law or otherwise to consummate the Transactions as promptly as reasonably practicable; and (ii) obtain from any Governmental Authority any consents, licenses, permits, waivers, clearances, approvals, authorizations or orders required to be obtained or made, or avoid any Proceeding by any Governmental Authority, in connection with the authorization, execution and delivery of this Agreement and the consummation of the Transactions.

(b) To the extent instructed by Purchaser, the Company shall give termination notices to third parties pursuant to the Contracts listed in Section 7.05(b) pursuant to a form of consent reasonably acceptable to the Purchaser (to the extent that such consent is required); provided that the Company shall not, as a condition to obtaining the consent to any such termination from the applicable counter-party to a Contract, agree to provide additional consideration or otherwise agree to incur any additional Liability (beyond that which is already contemplated by the Contract).

Section 7.06 Confidentiality and Announcements

(a) Each Party shall, and shall use its commercially reasonable efforts to cause its Affiliates and Representatives to, keep confidential and not disclose to any other Person any Transaction Information or, in the case of the Selling Shareholders, any Confidential Information. Notwithstanding the foregoing each Party may disclose Transaction Information and, in the case of the Selling Shareholders, Confidential Information, to its Affiliates, Representatives and lenders, in each case only where such persons or entities are under appropriate nondisclosure obligations of a similar nature. The obligations of a Party under this Section 6.05(b) shall not apply to information which: (i) is or becomes generally available to the public without breach of obligations under this 6.05(b), (ii) becomes available to a Party on a non-confidential basis from a source other than a Party to this Agreement (provided that such Party can demonstrate that such source was not known by such Party to be bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation of confidentiality. If a Selling Shareholder or any of its Affiliates or their respective representatives to this Agreement is require to disclose any information by Law or any Order, such Person shall notify to the Purchaser as early as practicable prior to disclosure to allow Purchaser to take appropriate measures to preserve the confidentiality of such information. Any breach of this Section 6.05(b) by any Affiliate, Representative or lender of a Party shall be deemed to be a breach by such Party. "Transaction Information" includes (i) the existence or terms of this Agreement or the other Documents, or (ii) the existence of discussions and negotiations between or among the Purchaser, the Company, and the holders of any Company Securities or any of their respective Representatives.

(b) Notwithstanding Section 6.05(b), the Purchaser shall determine in its sole discretion whether any public announcement, press release or response to media inquiries regarding this Agreement, the other Documents or the Transactions may be made and shall be entitled to issue any such public announcement or press release or respond to media inquiries which may include terms of the Transactions. Following the issuance of such press release, any party may issue a subsequent press release in content consistent therewith.

(c) Notwithstanding the foregoing, (i) a Selling Shareholder that is a venture capital fund may inform its respective limited partners, investors and professional advisors of the Transactions consistent with its prior practice, *provided* that any such communication advises such limited partners, investors and professional advisors of the confidential nature of the information contained in such communication, and (ii) a Selling Shareholder that is a venture capital fund may inform bona fide prospective investors who are under appropriate confidentiality provisions of the amount of their investment in the Company and the return on such investment that resulted from the Transactions and, and only after Parent has publicly acknowledged its involvement in the Transaction, Parent's identity.

Section 7.07 Further Assurances

From and after the Closing, the Selling Shareholders and Purchaser shall execute and deliver such further instruments of conveyance, transfer and assignment and shall take such other actions as a Party may reasonably request of another party in order to effectuate the purposes of this Agreement and the other Documents to which they are parties and to carry out the terms hereof and thereof.

Section 7.08 Form S-8.

With respect to the Assumed Options of Company Employees, Purchaser shall cause Parent to use commercially reasonable efforts to file with the SEC a registration statement on Form S-8 (or any successor form), relating to the Parent Common Stock issuable pursuant to the exercise of Assumed Options by the Registration Deadline. Purchaser shall cause Parent to use commercially reasonable efforts, subject to applicable securities laws, to maintain the effectiveness of such registration statement for so long as any assumed Company Options remain outstanding, subject to Parent's standard policies regarding securities Law compliance. Purchaser shall cause Parent, as soon as practicable after the Closing Date, to deliver to each holder of Assumed Options written notice documenting the assumption of the Company Options. Such notice shall specify the number of shares of Parent Common Stock subject to the Assumed Options, as well as the exercise price per share of Parent Common Stock subject to the Assumed Options. For purposes hereof, "Registration Deadline" means the date that is not later than ten (10) Business Days following Parent's filing with the SEC of the first Quarterly Report on Form 10-Q or Annual Report on Form 10-K, as applicable, following the regularly scheduled meeting of Parent's board of directors for the earlier of the first quarterly period or yearly period, as applicable, ending subsequent to the Closing Date.

Section 7.09 Communications with Employees.

Prior to the Closing Date, neither the Company nor the Selling Shareholders shall (and the Company and the Selling Shareholders shall not permit their respective Representatives, any Acquired Company or any Acquired Company's Representatives to) communicate with any employees of the Acquired Companies regarding post-Closing employment matters with Purchaser or any Subsidiary or affiliate of Purchaser, including post-Closing employee benefit plans and compensation, without the prior approval of Purchaser.

Section 7.10 Resignation of Directors.

The Company shall obtain and deliver to Purchaser at or prior to the Closing the resignation of each director of each Acquired Company, effective as of the Closing, in the form set forth as Exhibit D hereto.

Section 7.11 Insurance.

(a) Prior to the Closing, the Company shall purchase a "tail" policy under the Company's existing directors' and officers' liability insurance policy, for acts or omissions occurring prior to the Closing that will remain in effect for a period of seven (7) years after the Closing (the "**D&O Tail Insurance**"). After the Closing, neither Parent nor Purchaser will cancel the D&O Tail Insurance during its term. The cost of the Company D&O Tail Policy will be treated as a Transaction Expense hereunder.

(b) Subject to the Company purchasing the D&O Tail Insurance and such D&O Tail Insurance being valid, for a period of seven (7) years following the Closing, Purchaser or its successor shall fulfill and honor the obligations of the Company as provided under indemnification provisions under the Articles and under any other organizational documents of the Company in effect immediately prior to Closing, including with respect to the indemnification agreements set forth in Schedule 7.07Section 7.11 that contain any indemnification, reimbursement, advancement of expenses, hold harmless and exculpation from liability provisions, with each individual who is a party to such agreements, and/or that at any time prior to the Closing was a director or officer of the Company (the "**Indemnification Schedule**"), in each case subject to applicable Law, insofar as such provisions relate to the directors or officers of the Company on or prior to the Closing Date, as set forth in the Indemnification Schedule (such directors and officers being herein called the "**Company Indemnitees**"), regardless of whether any proceeding relating to any Company Indemnitees' rights to indemnification or advancement of expenses or to any such acts or omissions is commenced before or after the Closing (provided in the case of a proceeding that commenced prior to the Closing, such proceeding was fully disclosed to the Purchaser prior to the Closing). The rights of each Company Indemnitee under this Section 7.11Section 7.11 shall be enforceable by each such Company Indemnitee or his or her heirs. If any claim is made against or involves any Company Indemnitee on or prior to the seventh (7^{th}) anniversary of the Closing, the provisions of this Section 7.11 shall continue in effect with respect to such claim until the final disposition thereof. The obligations of the Purchaser and the Company (following the consummation of the transactions contemplated by this Agreement) or its successors under this Section 7.11 shall not be terminated, amended or otherwise modified in such a manner as to adversely affect any Company Indemnitee (or his or her heirs) without the prior written consent of such Company Indemnitee (or his or her heirs, as applicable).

(c) The provisions of clauses (a) and (b) of this Section 7.11 are intended to be for the benefit of, and shall be enforceable by, the Company Indemnified Parties; provided that recourse shall first be against the Company D&O Tail Policy until it is exhausted before recovery against Parent or Purchaser shall take place.

Section 7.12 Registration Rights

On or prior to the date that is ninety (90) days following the Closing Date, Parent prepare and file with the Securities and Exchange Commission a registration statement for a resale offering, to be made on a continuous basis, of the Consideration Shares. Parent shall use its commercially best efforts to cause the Registration Statement to be declared effective under the Securities Act as promptly as possible after the filing thereof (but in no event later than the 60th day following the filing of the registration statement) and shall use its commercially best efforts to keep such registration statement, with respect to each Selling Shareholder, continuously effective under the Securities Act until the earlier to occur of (i) the date on which such Selling Shareholders may sell the Consideration Shares then held in compliance with Rule 144, or (ii) all Consideration Shares covered by the registration statement have been sold by such Selling Shareholder.

Section 7.13 Restricted Shares

Upon the lapse of six (6) months as of the Closing Date, and subject to the terms of the Lock-Up Agreement (and with respect to the Key Executive, also subject to the Holdback Agreement), the Parent shall remove any restrictive legend under the Securities Act with respect to any shares that such Selling Shareholder informs Parent in writing of its intention to sell, without the need of such Selling Shareholder to provide a legal opinion for such sale.

ARTICLE VIII
TAX MATTERS

Section 8.01 Tax Returns

(a) Tax Returns. The Company shall (i) timely prepare or cause to be prepared (taking into account any extensions of time in which to prepare) and timely file or cause to be filed (taking into account any extensions of time in which to file) Tax Returns of the Acquired Companies required to be filed prior to the Closing Date, and (ii) shall pay or cause to be paid (taking into account any extensions of time) all Taxes required to be paid prior to the Closing Date. Parent and the Purchaser shall (i) timely prepare or cause to be prepared (taking into account any extensions of time in which to prepare) and timely file or cause to be filed (taking into account any extensions of time in which to file) all Tax Returns for the Acquired Companies required to be filed after the Closing, and (ii) timely pay or cause to be paid (taking into account any extensions of time) all Taxes required to be paid after the Closing Date. To the extent such Tax Returns include any Taxes relating to a period prior to the Closing Date, such Tax Returns shall be prepared in accordance with applicable Law and consistent with the past practices of the Acquired Companies. Parent and the Purchaser shall provide any Tax Return that includes any Taxes relating to a period prior to the Closing Date to the Holder Representative for review a reasonable period of time prior to such Tax Return's due date (which period shall be 25 days in the case of any income Tax Return) and shall consider in good faith any comments made by the Holder Representative that are submitted to Parent not less than 15 days prior to such due date.

(b) Cooperation. Parent, the Purchaser and the Holder Representative, on behalf of the Indemnifying Persons, shall cooperate, as and to the extent reasonably requested by the other party, in connection with (i) the filing of any Tax Returns of or with respect to the Acquired Companies, and (ii) any audit, examination, voluntary disclosure or other administrative or judicial proceeding, contest, assessment, notice of deficiency, or other adjustment or proposed adjustment with respect to Taxes of the Acquired Companies (a "Tax Contest"). Such cooperation shall include retaining and providing records and information that are reasonably relevant to any such Tax Return or Tax Contest, and making employees available on a mutually convenient basis to provide additional information and explanation of any materials provided hereunder.

(c) Post-Closing Limitation. Parent and the Purchaser shall not amend any Tax Returns of the Acquired Companies that include any Taxes relating to a period prior to the Closing Date or file a Tax Return that includes any Taxes relating to a period prior to the Closing Date in a jurisdiction in which the Acquired Companies has not historically filed Tax Returns reporting that type of Tax without the Holder Representative's prior written consent, if such action would reasonably be expected to have the effect of resulting in an indemnification obligation by the Indemnifying Persons.

Section 8.02 Tax Refunds

Tax refunds that are received by Parent, the Purchaser, the Acquired Companies or any of their Affiliates that relate to Taxes paid by the Company for any period prior to the Closing Date shall be for the account of the Indemnifying Parties. Parent and the Purchaser shall pay to the Paying Agent for distribution to the Indemnifying Persons of any such Tax refund, less any Taxes incurred in connection with such Tax refund and reasonable out-of-pocket costs incurred solely for the purpose of obtaining such refund, within 15 calendar days after receipt thereof.

Section 8.03 Treatment of Payments

All amounts paid by the Indemnifying Persons under Article XI shall, to the extent permitted by Law, be treated for all purposes as adjustments to the Aggregate Consideration.

Section 8.04 Purchaser's Use

Nothing in this Agreement shall be construed to require Purchaser to make any payment to any Selling Shareholder for Purchaser's use in a Tax Return for a period beginning after the date of this Agreement, of any excess Tax credit (including any excess foreign tax credits), net operating loss, or other Tax attribute of the Company or any of its Subsidiaries.

ARTICLE IX
CONDITIONS TO THE TRANSACTIONS

Section 9.01 Conditions to the Obligations of Each Party.

The obligations of the Company, Purchaser and the Selling Shareholders to consummate the Transactions are subject to the satisfaction of the following conditions (any and all of which may be waived by Purchaser, the Company and the Holder Representative in whole or in part in such Party's sole discretion):

(a) No Adverse Law. No Law or Order shall have been enacted, entered or promulgated by any court of competent jurisdiction or Governmental Authority that makes illegal, or otherwise prohibits the consummation of the Transactions.

Section 9.02 Conditions to the Obligations of Purchaser.

The obligations of Purchaser to consummate the Transactions are subject to the satisfaction, or waiver by Purchaser in its sole discretion, at or prior to the Closing, of the following further conditions:

(a) Representations and Warranties. The representations and warranties of each of the Selling Shareholders and the Company set forth in this Agreement (other than the representations and warranties of the Company as of a specified date, which shall be true and correct as of such date) shall be true and correct in all material respects (except for such representations and warranties that are qualified as to materiality or Material Adverse Effect shall be true and correct in all respects).

(b) Covenants. Each of the Company and the Selling Shareholders shall have performed, and complied in all material respects with each covenant or obligation required to be performed or complied with by such parties pursuant to this Agreement as of the Closing.

(c) No Proceedings. No Proceeding shall be overtly threatened or pending against Purchaser, Parent or the Company or any Selling Shareholder (in his/her/its capacity as such) by any Governmental Authority arising out of, or in any way connected with, the Transactions contemplated by this Agreement, that could materially impair the ability of the Purchaser or the Company to consummate the Closing and the Transactions contemplated by this Agreement.

(d) Contracts. The Company shall have (i) terminated each of those Contracts set forth on Section 7.05(b); and (iii) sent the notices and obtain the consents (to the extent applicable) as set forth on Section 3.04 of the Disclosure Schedule.

(e) Closing Deliveries by the Company. Purchaser shall have received the following agreements and documents, each of which shall be in full force and effect:

(1) the Escrow Agreement substantially in the form attached as Exhibit A, executed by the Holder Representative (on behalf of himself and each Indemnifying Person);

(2) a certificate, in the form attached hereto as Exhibit E, executed on behalf of the Company by its Chief Executive Officer (the "Company Closing Certificate") and containing representations and warranties of the Company to the effect that the conditions set forth in Sections 8.02(a) and 8.02(b) have been duly satisfied;

(3) the Consideration Allocation Certificate, executed on behalf of the Company by its Chief Financial Officer;

(4) a legal opinion of Meitar, Law Offices, legal counsels to the Company, in the form attached hereto as Exhibit I;

(5) written resignations of all directors of each Acquired Company, to be effective as of the Closing Date; and

(6) a certificate executed by the Chief Executive Officer of the Company attaching and certifying (i) the resolutions of the board of directors of the Company approving this Agreement and the Transactions, and (ii) the resolutions of the shareholders of the Company approving this Agreement and the Transactions.

(7) The Lock-Up Agreements, executed by each of the Selling Shareholders.

(8) Executed Employment Agreement between Purchaser and the Key Executive, in the form attached hereto as Exhibit G.

(9) The Interim Option Ruling and 104H Interim Ruling approved by the ITA.

(f) No Material Adverse Change. Since the date of this Agreement, there shall not have occurred any Material Adverse Effect.

(g) Termination of Company Warrants. All unexercised Company Warrants (but excluding any Company Warrants exercised in a way of cashless exercise contingent upon the Closing) shall terminate and be null and void as of the Closing and thereafter shall not be exercisable for any Securities of the Company.

(h) Share Certificates and Share Registry.

(1) Each Selling Shareholder shall have delivered to Purchaser all certificates representing the Company Shares set forth on Schedule 1 with respect to such Selling Shareholder (or Affidavits of Lost Shares with respect thereto), together with share transfer deeds satisfactory in form and substance to Purchaser and its counsel, such that Purchaser shall have received in the aggregate certificates representing all outstanding Company Shares owned by such Selling Shareholders.

(2) The Company shall have delivered to Purchaser a copy of the share registry of the Company evidencing the transfer and ownership of all of the Company Shares to Purchaser certified by the Chief Executive Officer of the Company on behalf of the Company.

(i) Ownership of Company Shares. This Agreement is executed by Selling Shareholders holding one hundred percent (100%) of the issued and outstanding Company Shares, including Company Shares issued upon exercise of Company Warrants outstanding on the date of this Agreement and Company Shares issued after the date of this Agreement.

(j) Transaction Expenses. The Company shall transfer the Transaction Expenses to the Paying Agent for the benefit of the payees thereof.[5]

Section 9.03 Conditions to the Obligations of the Company and the Selling Shareholders.

The obligations of the Company and the Selling Shareholders to consummate the Transactions are subject to the satisfaction, or waiver by the Company and the Holder Representative at each Party's sole discretion, of the following further conditions:

(a) Representations and Warranties. Each of the representations and warranties made by Purchaser and Parent in this Agreement shall have been accurate as of the date of this Agreement and as of the Closing Date as if made as of the Closing Date except for failures to be accurate which would not, individually or in the aggregate, reasonably be expected to materially impair Purchaser's ability to consummate the Transactions.

(b) Covenants. Each of the covenants and obligations that each of Purchaser and Parent is required to comply with or to perform at or prior to the Closing shall have been complied with and performed in all material respects.

(c) Escrow Agreement. The Company and Holder Representative shall have received from Purchaser, duly executed Escrow Agreement by the Escrow Agent, Purchaser and Parent.

(d) Paying Agent Agreement. The Company and Holder Representative shall have received from Purchaser, duly executed Paying Agent Agreement by the Paying Agent, Purchaser and Parent.

(e) Share Transfers. (i) Purchaser shall deposit or cause the deposit of the Escrow Fund with the Escrow Agent, (ii) Purchaser shall deposit or cause the deposit of the Shareholders Consideration with the Paying Agent (for further distribution in accordance with this Agreement), and (iii) Purchaser shall have delivered, or caused to be delivered, to the Holder Representative evidence of Consideration Shares issuance.

[5] TBD

ARTICLE X
TERMINATION

Section 10.01 Termination.

This Agreement may be terminated and the Transactions may be abandoned at any time prior to the Closing:

(a) by mutual written agreement of the Company and Purchaser;

(b) by Purchaser or the Company by written notice to the other, , in each case if the Transactions have not been consummated on or before ninety (90) days from the date of this Agreement (which date may be extended by written mutual agreement of the Purchaser and the Company if the conditions set forth in Section 9.02 or Section 9.03 hereof have not been satisfied as of such time); *provided*, *however*, that the right to terminate this Agreement under this Section 10.01(b) shall not be available to any party whose action or failure to act has been a principal cause of or resulted in the failure of the Closing to occur on or before such date;

(c) by Purchaser or the Company with written notice to the other, if a Governmental Authority shall have issued any Order or taken any other action, in each case, which has become final and non-appealable and which enjoins or otherwise prohibits the Transactions (whereby in such case, Purchaser, Company, Parent and Holder Representative shall negotiate in good faith alternative transactions which shall be, the extent possible substantially similar to the Transaction, or otherwise, if applicable, amend those terms of the Transaction which are the cause of such prohibition);

(d) by Purchaser by written notice to the Company, if Purchaser is not in material breach of any its obligations under this Agreement and there has been a material breach of any representation or warranty of the Company or a Selling Shareholder contained in this Agreement such that the condition set forth in Section 9.02(a) would not be satisfied, or (ii) the covenants or obligations of the Company or the Selling Shareholders contained in this Agreement shall have been breached in any material respect such that the condition set forth in Section 9.02(b) would not be satisfied; provided, however, that such material breach is curable by the Company or the applicable Selling Shareholder during the 30-day period after Purchaser notifies the Company and the Holder Representatives in writing of the existence of such material breach or

(e) by the Company by written notice to the Purchaser, if the Company is not in material breach of any its obligations under this Agreement and there has been a material breach of any representation or warranty of the Purchaser or Parent in this Agreement such that the condition set forth in Section 9.03(a) would not be satisfied, or (ii) the covenants or obligations of the Purchaser or the Parent contained in this Agreement shall have been breached in any material respect such that the condition set forth in Section 9.03(b) would not be satisfied; provided, however, that such material breach is curable by the Purchaser or the Parent during the 30-day period after the Company notifies the Purchaser and the Parent in writing of the existence of such material breach.

The Party desiring to terminate this Agreement pursuant to this Section 10.01 (other than pursuant to Section 10.01(a)) shall give a notice of such termination to the other Parties specifying the provision pursuant to which such termination is effective and setting forth a brief description of the basis on which such Party is terminating this Agreement.

Section 10.02 Effect of Termination.

If this Agreement is terminated pursuant to Section 10.01, this Agreement shall become void and of no effect and all further obligations of the Parties shall terminate; provided that: (a) none of the Parties shall be relieved of any obligation or liability arising from any prior breach by such Party of any provision of this Agreement; and (b) the Parties shall, in all events, remain bound by and continue to be subject to the provisions set forth in Article XIII and Section 7.06.

ARTICLE XI
INDEMNIFICATION

Section 11.01 Survival Periods

The representations and warranties of the Company, the Selling Shareholders and Parent contained in this Agreement, or in the Company Closing Certificate delivered by them to the Purchaser at the Closing pursuant to the terms this Agreement, shall survive the Closing (i) with respect to all representations and warranties until 11:59 p.m. Pacific Time on the six (6)-month anniversary of the Closing Date (the first day following the last day of survivability period, the "Release Date"), other than the representations of Parent contained in Section 6.02Section 6.03 and Section 6.03 ("Parent Fundamental Representations"), which shall survive until the expiration of the applicable statute of limitation. None of the representations or warranties of the Purchaser shall survive the Closing, other than the representations contained in Section 5.07, which shall survive indefinitely. Notwithstanding the foregoing, any claims for Losses with respect to the Company's collection and remission of US sales taxes, within the applicable tax period (i.e., open tax years), and in connection with the filing of sales tax returns ("**Sales Tax Losses**") shall survive the Closing until 11:59 p.m. Pacific Time on the twelve (12)-month anniversary of the Closing Date. Notwithstanding the foregoing, in no case shall the termination of the representations, warranties, covenants and agreements affect any claim for or arising out of or relating to fraud, willful misrepresentation or intentional breach. The Parties agree that if an Officer's Claim Notice in accordance with the terms herein is duly and timely delivered to the Holder Representative, or the Parent, as applicable in good faith and on reasonable grounds, with respect to an Indemnified Event occurring prior to the Release Date, then the lapsing of the representations and warranties shall not affect the claim specified in such Officer's Claim Notice, which claim shall survive until finally resolved in accordance with Section 10.04. Any claim (other than for fraud or willful misrepresentation) with respect to which an Officer's Claim Notice was not delivered to the Holder Representative, or the Parent, as applicable, prior to the Release Date shall be deemed to have been waived and shall be absolutely and forever barred and unenforceable, null and void, and of no force or effect whatsoever and the Company and Selling Shareholders, or the Parent, as applicable, shall have no liability with respect thereto. By way of clarification for the purpose of ensuring compliance with the Israeli Limitation Law, 5718-1958, it is the express intent of the Parties that, if the applicable survival period for an item as contemplated by this Section 10.01 is shorter than the statute of limitations that would otherwise have been applicable to such item, then, by contract, the applicable statute of limitations with respect to such item shall be reduced to the shortened survival period contemplated hereby in this Article X. The Parties further acknowledge that the time periods set forth in this Section 10.01 for the assertion of claims are the result of arms'-length negotiation among the Parties and that they intend for the time periods to be enforced as agreed by the Parties.

Section 11.02 Indemnification by Indemnifying Persons

(A) Subject to the terms and conditions of this Article X, each Selling Shareholder (each, an "Indemnifying Person"), from and after the Closing shall, severally and not jointly (each in accordance with its Indemnity Pro Rata Share), indemnify, defend and hold harmless the Purchaser, its Affiliates, and their respective shareholders, officers, directors, employees, agents (including, from and after the Closing, the Company) and their successors and assigns (collectively, the "Purchaser Indemnified Parties"), and shall reimburse the Purchaser Indemnified Parties for, any Losses to the extent arising, directly or indirectly, from or in connection with (each, an "Indemnified Event"):

(a) any breach of any representation or warranty made by the Company in this Agreement or any certificate delivered to the Purchaser by the Company to be true and correct as of the Closing (except in the case of representations and warranties which by their terms speak only as of a specific date or dates, in which case, such representations and warranties shall be true and correct on and as of such specified date or dates);

(b) any breach of any covenant or obligation of the Company in this Agreement or in any certificate delivered at the Closing by or on behalf of the Company pursuant to this Agreement, to perform or comply with such covenant or obligation on or prior to the Closing;

(c) any inaccuracy in the Consideration Allocation Certificate, including as a result of any inaccuracy in the Transaction Expenses and Change of Control Payments, in any such case, has resulted in entitlement to payment of any portion or issuance of any securities of the Aggregate Consideration which was not included in the Consideration Allocation Certificate;

(d) any fraud or willful misrepresentation by or on behalf of the Company; and

(e) Any Losses arising from the claim of patent infringement or related claims raised by or referred to, raised by ObVus, Solutions LLC in its letter dated January 8, 2021 to Company, which made available to the Purchaser, (the "**ObVus Claims**"), which will be recovered solely from the Special IP Escrow. Notwithstanding any other provisions of this Agreement, Company's indemnification obligations under this subsection shall survive termination or expiration of this Agreement, and shall terminate only upon the Special IP Escrow End Date.

(B) Subject to the terms and conditions of this Article X, each Indemnifying Person, from and after the Closing shall, severally and not jointly, indemnify, defend and hold harmless the Purchaser Indemnified Parties, and shall reimburse the Purchaser Indemnified Parties (provided that in each case the Indemnified Parties shall act solely through Purchaser) for, any Losses to the extent arising, directly or indirectly, from or in connection with:

(a) any failure of any representation or warranty made by such Indemnifying Person (in his/her/its capacity as shareholder of the Company) in this Agreement or any certificate delivered to the Purchaser by such Indemnifying Person to be true and correct as of the Closing (except in the case of representations and warranties which by their terms speak only as of a specific date or dates, in which case, such representations and warranties shall be true and correct on and as of such specified date or dates); and

(b) any breach of any covenant or obligation of such Indemnifying Person (in his/her/its capacity as shareholder of the Company) in this Agreement or in any certificate delivered at the Closing by or on behalf of such Indemnifying Person pursuant to this Agreement, to perform or comply with such covenant or obligation on or prior to the Closing.

Section 11.03 Limitations on Indemnification by Indemnifying Persons

(a) The Indemnifying Persons shall not be liable to indemnify the Purchaser Indemnified Parties for Losses arising out of or in connection with Section 10.02(a) and (b) unless and until the total amount of Losses suffered by the Purchaser Indemnified Parties for all such indemnification claims exceeds $200,000 (the "**Threshold**"), following which, the Indemnifying Persons shall indemnify the Purchaser Indemnified Parties against the entire portion of Losses (as of the first dollar); provided, however, that indemnification for the ObVus Claims, Sales Tax Losses, fraud or willful misrepresentation by the Company, or by the Indemnifying Person (solely which respect to such Indemnifying Person) shall not be subject to the Threshold.

(b) No Indemnifying Person will have any indemnification liability under Section 11.02, in accordance with its terms, other than with respect to (i) fraud or willful misrepresentation by the Company or by such Indemnifying Person (solely with respect to such Indemnifying Person), and (ii) Section 11.02(A) and, solely with respect to such Indemnifying Person, Section 11.02(B)(a) trough (b). For purposes of calculating Losses with respect to any breach or failure by the Company of any of its representations and warranties contained in or made by or pursuant to this Agreement that are qualified by materiality or Material Adverse Effect (including for the purpose of determining whether the Threshold has been satisfied) (but not for purposes of determining whether such a breach has occurred), all such qualifications shall be disregarded; provided, that each such qualification shall not be disregarded for the purposes of the initial determination of whether there was a breach or failure of such representation or warranty to be true and correct, as foresaid.

(c) The Regular Escrow Fund, shall be available to Purchaser Indemnified Parties to satisfy the indemnification obligations of the Indemnifying Persons pursuant toSection 11.02 (except with respect to Section 11.02(A)(e)), subject to the terms of this Article X and the Escrow Agreement. Except with respect to Losses arising from or relating to fraud or willful misrepresentation, from and after the Closing, the sole and exclusive remedy of the Purchaser Indemnified Parties against the Indemnifying Persons for any Losses arising will be to make a claim in respect of, and solely to the extent of, the then outstanding Escrow Fund and in accordance with the allocation of indemnifiable Losses between the Regular Escrow Fund and Special IP Escrow Fund. The Special IP Escrow Fund shall be available to Purchaser Indemnified Parties to satisfy the indemnification obligations of the Indemnifying Persons pursuant to Section 11.02(A)(e).

(d) Anything to the contrary herein notwithstanding, other than with respect to fraud or willful misrepresentation of an Indemnifying Person (solely with respect to such Indemnifying Person), the aggregate liability of such Indemnifying Person for indemnification under this Article XI, shall not exceed the Consideration Shares actually issued to such Indemnifying Person's (including trough the Paying Agent or Escrow Agent, as applicable) Indemnity Pro Rata Share of the Aggregate Indemnity Amount (and each case, subject to the allocation of indemnifiable Losses between the Regular Escrow Fund and Special IP Escrow Fund as set forth in Section 11.03(c)). The liability of the Indemnifying Persons hereunder shall be several but not joint. For the purposes of clarity, no Indemnifying Person shall have any liability for Losses as a result of or arising out of Section 11.02(B), except the specific Indemnifying Person whose actions or omissions are the subject of such indemnification claim for Losses pursuant to Section 11.02(B).

(e) Claims made by a Purchaser Indemnified Party for indemnification under Section 11.02 shall be satisfied from funds held in the Escrow Fund (based on, with respect to the portion of the Losses attributed to each Indemnifying Person, based on their respective Indemnity Pro Rata Share of the Escrow Fund), and in each case, in accordance with the allocation of indemnifiable Losses between the Regular Escrow Fund and Special IP Escrow Fund as set forth in Section 11.03(c).

(f) The amount of any Losses payable by the Indemnifying Person shall be net of any amounts actually recovered by the Purchaser Indemnified Party under applicable insurance policies or from any other Person alleged to be responsible therefor, net of any expenses incurred by such Purchaser Indemnified Party in investigating, prosecuting and collecting such amount and net of any increase to the applicable insurance premiums. If the Purchaser Indemnified Party receives any amounts under applicable insurance policies, or from any other Person responsible for any Losses, after the Indemnifying Person makes an indemnification payment in respect of such Losses, and which amounts were not previously deducted from the Losses payable by the Indemnifying Person, then the Purchaser Indemnified Party shall promptly reimburse the Indemnifying Person for any payment made or expense incurred by such Indemnifying Person in connection with providing such indemnification payment up to the amount received by the Purchaser Indemnified Party, net of any expenses incurred by such Purchaser Indemnified Party in investigating, prosecuting and collecting such amount and net of any increase to the applicable insurance premiums. Nothing in this Agreement shall derogate from the Purchaser Indemnified Parties' obligation to use commercially reasonable efforts to mitigate any Losses.

(g) Notwithstanding anything contained in this Agreement to the contrary, no Purchaser Indemnified Party shall have any right to indemnification under this Article X with respect to any Losses to the extent such Losses are duplicative of Losses that have previously been recovered, even though such Losses may have resulted from the breach of more than one of the representations, warranties, agreements and covenants in this Agreement or have resulted in an adjustment to the Aggregate Consideration.

(h) The representations and warranties of the Company and the Selling Shareholders contained in this Agreement and in the Company Disclosure Schedule constitute the sole and exclusive representations and warranties made by or on behalf of the Company or the Selling Shareholders in connection with the transactions contemplated by this Agreement, and Purchaser understands, acknowledges and agrees that all other representations and warranties made by or on behalf of the Company or the Selling Shareholders of any kind or nature, express or implied, are specifically disclaimed by the Company and the Selling Shareholders.

Section 11.04 Indemnification by Parent

(A) Subject to the terms and conditions of this Article X, Parent, from and after the Closing shall indemnify, defend and hold harmless the Selling Shareholders and their successors and assigns (collectively, the "Selling Shareholders Indemnified Parties"), and shall reimburse the Selling Shareholders Indemnified Parties (provided that in each case the Selling Shareholders Indemnified Parties shall act solely through Holder Representative, except with respect to Parent Fundamental Representations) for, any Losses to the extent arising, directly, from or in connection with:

(a) any breach of any representation or warranty made by the Parent in this Agreement or any certificate delivered to the Company or the Selling Shareholders by the Parent to be true and correct as of the Closing (except in the case of representations and warranties which by their terms speak only as of a specific date or dates, in which case, such representations and warranties shall be true and correct on and as of such specified date or dates);

(b) any breach of any covenant or obligation of the Parent in this Agreement or in any certificate delivered at the Closing by or on behalf of the Parent pursuant to this Agreement, to perform or comply with such covenant or obligation on or prior to the Closing; and

(c) any fraud or willful misrepresentation by or on behalf of the Parent.

Section 11.05 Limitations on Indemnification by Parent

(a) The Parent shall not be liable to indemnify the Selling Shareholders Indemnified Parties for Losses arising out of or in connection with Section 11.04 unless and until the total amount of Losses suffered by the Selling Shareholders Indemnified Parties for all such indemnification claims exceeds $200,000 (the "Parent Threshold"), following which, Parent shall indemnify the Selling Shareholders Indemnified Parties against the entire portion of Losses (as of the first dollar); provided, however, that indemnification for Losses as a result of or arising out of a breach of the Parent Fundamental Representations, fraud or willful misrepresentation by the Parent shall not be subject to the Parent Threshold.

(b) For purposes of calculating Losses with respect to any breach or failure by the Parent of any of its representations and warranties contained in or made by or pursuant to this Agreement that are qualified by materiality or Material Adverse Effect (including for the purpose of determining whether the Parent Threshold has been satisfied) (but not for purposes of determining whether such a breach has occurred), all such qualifications shall be disregarded; provided, that each such qualification shall not be disregarded for the purposes of the initial determination of whether there was a breach or failure of such representation or warranty to be true and correct, as foresaid.

(c) Anything to the contrary herein notwithstanding, other than with respect to any breach of the Parent Fundamental Representations, fraud or willful misrepresentation of Parent, the aggregate liability of Parent for indemnification under this Article XI, shall not exceed 14.13% of the Aggregate Consideration payable to such Selling Shareholders.

(d) Claims made by a Selling Shareholder Indemnified Party for indemnification under Section 11.04 shall be satisfied by issuance of additional Consideration Shares.

(e) Notwithstanding anything contained in this Agreement to the contrary, no Selling Shareholder Indemnified Party shall have any right to indemnification under this Article X with respect to any Losses to the extent such Losses are duplicative of Losses that have previously been recovered, even though such Losses may have resulted from the breach of more than one of the representations, warranties, agreements and covenants in this Agreement or have resulted in an adjustment to the Aggregate Consideration.

(f) The representations and warranties of the Parent contained in this Agreement and in the Parent Disclosure Schedule constitute the sole and exclusive representations and warranties made by or on behalf of the Parent in connection with the transactions contemplated by this Agreement, and the Selling Shareholders and the Company understand, acknowledge and agree that all other representations and warranties made by or on behalf of the Parent of any kind or nature, express or implied, are specifically disclaimed by the Parent.

Section 11.06 Procedure for Indemnification; Third Party Claims

(a) Claim Notice. If any Purchaser Indemnified Party or Selling Shareholder Indemnified Party has or claims to have incurred or suffered Losses for which it is or may be entitled to indemnification, compensation or reimbursement pursuant to Section 11.02A or 11.02B or 11.04, as applicable, the Purchaser or the Holder Representative (or the Selling Shareholder Indemnified Party, to the extent that such claim apply only to such Selling Shareholder), as applicable, may deliver to the Holder Representative or the Parent, as applicable, a certificate signed on behalf of the Purchaser or the Holder Representative (or the Selling Shareholder Indemnified Party, to the extent that such claim apply only to such Selling Shareholder), as applicable, with a copy to the Escrow Agent (if and to the extent that the Indemnified Party is seeking recourse against the Regular Escrow Fund or the Special IP Escrow Fund, as applicable according to the allocation set forth Section 11.03(c)), and to one or more Indemnifying Persons (if and to the extent that the Purchaser Indemnified Party is seeking recourse directly against any such Indemnifying Person or Indemnifying Persons) prior to the Release Date (the "Officer's Claim Notice"):

(1) stating that a Purchaser Indemnified Party or a Selling Shareholder Indemnified Party, as applicable, incurred, paid, sustained, reserved or accrued, or in good faith believes that it may incur, pay or sustain indemnifiable Losses with respect to a breach of or inaccuracy in a representation, warranty or covenant contained in this Agreement that such Purchaser Indemnified Party or Selling Shareholder Indemnified Party, as applicable, is or may otherwise be entitled to indemnification under this Article X;

(2) to the extent possible, containing a good faith non-binding, preliminary estimate of the amount which such Purchaser Indemnified Party or Selling Shareholder Indemnified Party, as applicable, claims to be entitled to receive hereunder, which shall be an estimate of the amount of Losses such Purchaser Indemnified Party or Selling Shareholder Indemnified Party, as applicable, claims to have so incurred or suffered (the aggregate amount of such estimate being referred to as the "Claimed Amount"); and

(3) containing a brief description, in reasonable detail (based upon the information then possessed by Purchaser Indemnified Party or Selling Shareholder Indemnified Party, as applicable) of the facts, circumstances or events, known to the Purchaser Indemnified Party or Selling Shareholder Indemnified Party, as applicable, giving rise to such alleged indemnifiable Losses, including (A) the basis for such anticipated liability and the nature of the breach to which such Losses relate, (B) the identity of any third party claimant (if any) and (C) copies of any formal demand or complaint from any third party claimant (if any), and together with any other supporting documentation or evidence.

The Officer's Claim Notice shall be delivered by the Purchaser Indemnified Party or the Holder Representative (or the Selling Shareholder Indemnified Party, to the extent that such claim apply only to such Selling Shareholder), as applicable, reasonably promptly after such Purchaser Indemnified Party or the Holder Representative (or the Selling Shareholder Indemnified Party, to the extent that such claim apply only to such Selling Shareholder), as applicable, becomes aware of the existence of a claim; provided, however, that no delay on the part of an Purchaser Indemnified Party or the Holder Representative (or the Selling Shareholder Indemnified Party, to the extent that such claim apply only to such Selling Shareholder), as applicable, in delivering an Officer's Claim Notice shall relieve any Indemnifying Person or the Parent, as applicable, from any of its obligations under this Article X unless (and then only to the extent that) the Indemnifying Person or the Parent, as applicable, is materially prejudiced thereby in terms of any defense or claim available to the Indemnifying Person or the Parent, as applicable, or the amount of Losses for which the Indemnifying Person or the Parent, as applicable, is obligated to indemnify the Parent Indemnified Parties or the Selling Shareholder Indemnified Parties, as applicable, or otherwise.

(b) Dispute Procedure. During the thirty (30) days' period commencing upon the date that an Officer's Claim Notice is deemed duly delivered pursuant to clause (a) above, the Holder Representative or the Parent, as applicable, may deliver to Purchaser Indemnified Party or Selling Shareholder Indemnified Party, as applicable, a written response (the "Response Notice") in which the Holder Representative or the Parent, as applicable, either: (i) agrees that the full Claimed Amount is owed to the Purchaser Indemnified Party or Selling Shareholder Indemnified Party, as applicable; or (ii) agrees that a portion, but not all, of the Claimed Amount (the "Agreed Amount") is owed to the Purchaser Indemnified Party or Selling Shareholder Indemnified Party, as applicable; or (iii) indicates that no portion of the Claimed Amount is owed to the Purchaser Indemnified Party or Selling Shareholder Indemnified Party, as applicable. Any part of the Claimed Amount that is not agreed to be owed to the Purchaser Indemnified Party or Selling Shareholder Indemnified Party, as applicable, pursuant to the Response Notice shall be referred to as a "Contested Amount".

(c) Payment of Agreed Amount. If the Holder Representative or the Parent, as applicable, delivers to the Purchaser Indemnified Party or Selling Shareholder Indemnified Party, as applicable, a Response Notice agreeing that the full Claimed Amount or an Agreed Amount is owed to the Purchaser Indemnified Party or Selling Shareholder Indemnified Party, as applicable, then (A) in the event of indemnification by an Indemnifying Person (i) during the Escrow Period or the Special IP Escrow Period, (1) the Holder Representative shall promptly notify the Escrow Agent thereof, and (2) the Parent shall instruct the 104H Trustee to reduce the Key Executive Indemnity (first from the Key Executive Indemnity that is vested consideration according to the terms of the Holdback Agreement (if any), and if such vested consideration is not sufficient to satisfy such Key Executive's Indemnity Pro Rata Share of such Losses, then from the Key Executive Indemnity that is not vested consideration) by the aggregate amount of such Key Executive's Indemnity Pro Rata Share of such Losses (such amount not to exceed in any event in the aggregate the Key Executive's Indemnity Pro Rata Share of the Aggregate Indemnity Amount) and the Key Executive shall have forfeited such portion of his Key Executive Share Consideration, and (ii) after expiration of the Escrow Period and the Special IP Escrow Period, within thirty (30) calendar days following the delivery of such Response Notice to Purchaser Indemnified Party, the applicable Indemnifying Persons shall transfer to the Purchaser Indemnified Party such number of Consideration Shares equal to the Claimed Amount or the Agreed Amount (the number of which shall be calculated in accordance with (d)Section 2.06(d)) and any amount in excess of the value of the Consideration Shares held by such Indemnifying Person with respect to the Losses shall be paid by such Indemnifying Person in cash, as the case may be, to the Purchaser Indemnified Party, in each case subject to the limitations set forth herein, and (B) in the event of indemnification by the Parent, then within thirty (30) calendar days following the delivery of such Response Notice to Selling Shareholder Indemnified Party and the Holder Representative, the Parent shall pay the Claimed Amount or the Agreed Amount, as the case may be, by issuing additional Consideration Shares to the Selling Shareholder Indemnified Party (the number of which shall be calculated in accordance with (d)Section 2.06(d)), in each case subject to the limitations set forth herein.

(d) Resolution between the Parties. If the Holder Representative or the Parent, as applicable, delivers to the Purchaser Indemnified Party or Selling Shareholder Indemnified Party, as applicable, a Response Notice indicating that there is a Contested Amount, the Holder Representative, or the Parent, as applicable, and Purchaser Indemnified Party or Selling Shareholder Indemnified Party, as applicable, shall attempt in good faith to resolve the dispute related to the Contested Amount for a period of at least 45 days after delivery of the Response Notice by the Holder Representative or the Parent, as applicable. If Purchaser Indemnified Party or Selling Shareholder Indemnified Party, as applicable, and the Holder Representative or the Parent, as applicable, resolve such dispute, such resolution shall be binding and a settlement agreement stipulating the amount owed to the Purchaser Indemnified Parties or Selling Shareholder Indemnified Party, as applicable (the "Stipulated Amount"), shall be signed by Purchaser or Parent, as applicable, and the Holder Representative, and (A) in the event of indemnification by the Indemnifying Parties (i) during the Escrow Period or the Special IP Escrow Period, (1) the Holder Representative shall notify the Escrow Agent thereof and (2) the Parent shall instruct the 104H Trustee to reduce the Key Executive Indemnity (first from the Key Executive Indemnity that is vested consideration according to the terms of the Holdback Agreement (if any), and if such vested consideration is not sufficient to satisfy such Key Executive's Indemnity Pro Rata Share of such Losses, then from the Key Executive Indemnity that is not vested consideration) by the aggregate amount of such Key Executive's Indemnity Pro Rata Share of such Losses (such amount not to exceed in any event in the aggregate the Key Executive's Indemnity Pro Rata Share of the Aggregate Indemnity Amount) and the Key Executive shall have forfeited such portion of his Key Executive Share Consideration, or (ii) after expiration of the Escrow Period and the Special IP Escrow Period, the applicable Indemnifying Persons shall within thirty (30) calendar days following the execution of such settlement agreement shall transfer to the Purchaser Indemnified Party such number of Consideration Shares equal to the Stipulated Amount (the number of which shall be calculated in accordance with (d)Section 2.06(d)) and any amount in excess of the value of the Consideration Shares held by such Indemnifying Person with respect to the Losses shall be paid by such Indemnifying Person in cash, and (B) in the event of indemnification by the Parent, the Parent shall within thirty (30) calendar days following the execution of such settlement agreement pay the Stipulated Amount by issuing additional Consideration Shares to the Selling Shareholder Indemnified Parties (the number of which shall be calculated in accordance with (d)Section 2.06(d)). If the Holder Representative and Purchaser or Parent, as applicable, are unable to resolve the dispute related to the Contested Amount, each of the Holder Representative or the Purchaser or the Parent, as applicable, may refer to the dispute for arbitration in accordance with Section Section 13.06.

(e) Except as otherwise provided for in this Section 11.04, in the event that any Purchaser Indemnified Party receives a notice of the assertion of any third-party claim from any Person (other than a Party hereto) ("Third Party Claim") for which such Purchaser Indemnified Party is entitled to indemnification under this Article X, then the Purchaser Indemnified Party shall deliver, during the Release Period, an Officer's Claim Notice to the Holder Representative as promptly as reasonably practicable (and, in the event indemnification is being sought hereunder directly from an Indemnifying Person, also to such Indemnifying Person). Failure to so notify the Holder Representative shall not relieve the Indemnifying Persons of any liability except to the extent that the defense of such Third Party Claim is materially prejudiced thereby. The Holder Representative shall have the right, and not the obligation, to control the defense of or settle such Third Party Claim, *provided*, that if the Holder Representative fails to do so, the Holder Representative shall, on behalf of and at the expense of the Indemnifying Persons, be entitled (or, in the event indemnification is being sought hereunder directly from a specific Indemnifying Person, such Indemnifying Person shall be entitled) to participate in any investigation, defense and settlement of such Third Party Claim and shall have the right to receive copies of all pleadings, notices and communications in a timely manner with respect to the Third-Party Claim to the extent that receipt of such documents does not adversely affect any material privilege relating to any Purchaser Indemnified Party. If the Holder Representative (or, in the event indemnification is being sought hereunder directly and only from a specific Indemnifying Person, such Indemnifying Person) does not consent in writing to any settlement of a Third Party Claim (unless if such consent is unreasonably withheld, conditioned or delayed), such settlement shall not be determinative as to the existence of, or amount of, Losses or as to the entitlement of the Purchaser Indemnified Party for indemnification in that respect hereunder. The Purchaser Indemnified Parties shall not be entitled to any indemnification from the Indemnifying Persons, unless final judgment from which no appeal may be taken is entered against the Indemnifying Persons for such indemnifiable Losses.

(f) With respect to any Third Party Claim subject to indemnification under this Article X: (i) both the Purchaser Indemnified Parties subject to such Third Party Claim and the Holder Representative shall keep the other Person fully informed in all material respects of the status of such Third Party Claim and any related Proceedings at all stages thereof where such Person is not represented by its own counsel, and (ii) to the extent possible, the Parties agree (each at its own expense) to render to each other such assistance as they may reasonably require of each other and to cooperate in good faith with each other in order to ensure the proper and adequate defense of any Third Party Claim.

(g) With respect to any Third Party Claim subject to indemnification under this Article X, the Parties shall cooperate in such a manner as to preserve in full (to the extent possible) the confidentiality of all confidential information and the attorney-client and work-product privileges. In connection therewith, each Party agrees that: (i) it will use commercially reasonable efforts, in respect of any Third Party Claim in which it has assumed or has participated in the defense, to avoid production of confidential information (consistent with applicable Law and rules of procedure) and (ii) all communications between any Parties hereto and counsel responsible for or participating in the defense of any Third-Party Claim will, to the extent possible, be made so as to preserve any applicable attorney-client or work-product privilege.

Section 11.07 Effect of Investigation; Reliance

The right to indemnification for Losses in this Article X or the availability of any other remedy will not be affected by any investigation conducted by any Purchaser Indemnified Party or its Representatives with respect to, or any knowledge possessed or acquired (or capable of being acquired) by any Purchaser Indemnified Party or its Representatives at any time, whether before or after the execution and delivery of this Agreement or the Closing, with respect to the accuracy or inaccuracy of or compliance with, any representation, warranty, covenant or agreement made by or on behalf of the Company or any Selling Shareholders. The waiver of any condition based on the accuracy of any such representation or warranty, or on the performance of or compliance with any such covenant or agreement, will not affect the right to indemnification, payment of Losses, or any other remedy based on any such representation, warranty, covenant or agreement.

Section 11.08 Sole Remedy.

Other than the right to seek the rights and remedies set forth in Section 13.10 and in connection with fraud or willful misrepresentation by an Indemnifying Person or the Parent, as applicable, the parties hereto hereby agree that this Article XI (as limited and qualified herein) shall be the sole and exclusive remedy of any Purchaser Indemnified Party or Selling Shareholder Indemnified Party, as applicable (whether at law or in equity), for (i) any breach of any representation, warranty or covenant set forth in this Agreement or any documents delivered in connection therewith, or (ii) any other claims with respect to this Agreement or otherwise in connection with the transactions contemplated hereby, under any theory of law.

ARTICLE XII
HOLDER REPRESENTATIVE

Section 12.01 Appointment of Holder Representative; Power and Authority.

(a) By virtue of the execution or adoption of this Agreement, each Indemnifying Person, hereby irrevocably agrees, constitutes and appoints the Holder Representative (and by the execution of this Agreement as a Holder Representative, the Holder Representative hereby accepts each of his appointment) as the true, exclusive and lawful agent and attorney-in-fact of each of the Indemnifying Persons to act: (i) as a Holder Representative under this Agreement, the Escrow Agreement and any other applicable Document and to have the right, power and authority to perform all actions (or refrain from taking any actions) the Holder Representative deems necessary, appropriate or advisable in connection with, or related to, this Agreement, the Escrow Agreement, any other applicable Document and the Transactions, (ii) in the name, place and stead of each Indemnifying Person (A) in connection with the Transactions, in accordance with the terms and provisions of this Agreement, and (B) in any Proceeding involving this Agreement, and (iii) to do or refrain from doing all such further acts and things, and to execute all such documents as the Holder Representative shall deem necessary or appropriate in connection with the Transactions (including any Document). This power of attorney is coupled with an interest and is irrevocable. All actions, decisions and instructions of the Holder Representative shall be conclusive and binding upon all of the Selling Shareholders.

(b) Without derogating from the generality of the foregoing, as of the date of this Agreement, the Holder Representative shall have the right, power and authority to:

(1) act for the Indemnifying Persons with regard to all matters set forth in this Agreement, including those pertaining to the indemnification referred to in this Agreement, the power to compromise or settle any claim or any indemnity claim on behalf of the Indemnifying Persons and to transact matters of litigation or other Proceedings (except as expressly provided herein and except with respect to any actions with respect to Losses recoverable from any source other than the Escrow Fund);

(2) execute and deliver the Paying Agent Agreement and the Escrow Agreement on behalf of all Indemnifying Persons and all amendments, waivers, ancillary agreements, share powers, certificates and documents that the Holder Representative deems necessary or appropriate in connection with the consummation of the Transactions;

(3) receive funds for the payment of expenses of the Indemnifying Persons and apply such funds in payment for such expenses;

(4) do or refrain from doing any further act or deed on behalf of the Indemnifying Persons that the Holder Representative deems necessary or appropriate in its sole discretion relating to the subject matter of this Agreement as fully and completely as the Indemnifying Persons could do if personally present;

(5) give and receive all notices or other required or permitted documents, instructions and communications given or to be given to the Holder Representative by Purchaser pursuant to this Agreement, the Paying Agent Agreement or the Escrow Agreement (except to the extent that this Agreement expressly contemplates that any such notice or communication shall be given or received by each Indemnifying Person individually);

(6) receive service of process on behalf of any Indemnifying Person in connection with any claims under this Agreement (except to the extent that this Agreement expressly contemplates that any such notice or communication shall be given or received by each Indemnifying Person individually);

(7) negotiate, undertake, compromise, defend, resolve and settle any suit, Proceeding, claim or dispute under this Agreement or the Escrow Agreement on behalf of the Indemnifying Persons, in accordance with the terms of this Agreement and the Escrow Agreement;

(8) engage special counsel, accountants and other advisors and incur such other expenses in connection with the Transactions;

(9) take such other action as the Holder Representative may deem appropriate, including:

(i) agreeing to any modification or amendment of this Agreement in accordance with Section 13.11 or the Escrow Agreement and executing and delivering an agreement of such modification or amendment;

(ii) taking any actions required or permitted under the Escrow Agreement; and

(iii) all such other matters as the Holder Representative may deem necessary, appropriate or advisable to carry out the intents and purposes of this Agreement, the Paying Agent Agreement and the Escrow Agreement.

(c) The Holder Representative may at any time by giving at least ten (10) days' notice to the Purchaser and the Indemnifying Persons, and may be removed or replaced (or in the event the Holder Representative has resigned, a successor may be appointed) only upon delivery of written notice to the Company and the Purchaser by the Selling Shareholders holding at least sixty percent (60%) of the issued and outstanding Ordinary Shares, Preferred A Shares and Preferred B Shares, counted together as a single class, on an as-converted-to Company Ordinary Shares basis (or following the Closing, Selling Shareholders that immediately prior to the Closing held at least sixty percent (60%) of the Ordinary Shares, Preferred A Shares and Preferred B Shares, counted together as a single class, on an as-converted-to Company Ordinary Shares basis); *provided, however*, that such resignation or removal shall not be effective unless and until a successor Holder Representative has been appointed and accepts such position and the terms of this Agreement and the Escrow Agreement. Notwithstanding the foregoing, a vacancy in the position of the Holder Representative may be filled by the Indemnifying Persons holding a majority in interest of the Escrow Fund. Purchaser, the Company and any other Person may conclusively and absolutely rely, without inquiry, upon any action of the Holder Representative in all matters referred to herein (within its authority described above).

(d) Notwithstanding the foregoing or anything to the contrary set forth herein, the powers conferred above shall not authorize or empower the Holder Representative to do or cause to be done any of the foregoing (i) in a manner that improperly discriminates between or among the Indemnifying Persons; or (ii) as to any matter insofar as such matter relates solely and exclusively to a single Indemnifying Person, whereupon the Holder Representative may appoint the Indemnifying Person who is alleged to be in breach to handle all matters related to such indemnification claim on behalf of the Holder Representative, and all references to the Holder Representative in such event shall include also such Indemnifying Person. Without implying that other actions would constitute an improper discrimination, each of the Indemnifying Persons agrees that discrimination between or among the Indemnifying Persons solely on the basis of the respective number of Company Shares or Vested Company Options held by each Indemnifying Person or their respective Pro Rata Share shall not be deemed to be improper. Further, notwithstanding anything herein to the contrary, the Holder Representative shall not be entitled to, and shall not, including by way of amending or waiving any provision hereof, take any action on behalf of any Indemnifying Person that would or could (i) cause any Indemnifying Person's liability hereunder to exceed its portion of the Escrow Fund, (ii) involve any obligation, restriction or agreement other than the payment of monetary damages, (iii) result in the amounts payable hereunder to any Indemnifying Person being distributed in any manner other than as set forth in this Agreement and the Escrow Agreement, or (iv) result in an increase of any Indemnifying Person's indemnity or other obligations or liabilities under this Agreement (including, for the avoidance of doubt, any change to the nature of the indemnity obligations), without (in each case) such Indemnifying Person's prior written consent.

Section 12.02 Reimbursement.

(a) The Holder Representative shall be entitled to receive reimbursement from the Indemnifying Persons, for any and all expenses, charges and liabilities, including reasonable attorneys' fees, incurred by the Holder Representative in the performance or discharge of its rights and obligations under this Agreement (the "Rep Expenses"). The Indemnifying Persons shall so reimburse the Holder Representative, severally and not on a joint basis, on the basis of their respective Indemnity Pro Rata Share. At the Closing, the Company shall deposit an amount equal to the Rep Expense Amount with the Paying Agent; the Rep Expense Amount shall be held in a separate account by the Paying Agent solely for the use of the Holder Representative to pay the Rep Expenses (including, without limitation, all Rep Expenses arising in connection with claims for indemnification herein) related to the Holder Representative actions taken with respect to this Agreement or the Escrow Agreement, and shall not be deemed to be part of the Escrow Fund. Neither Parent nor any Purchaser Indemnified Party shall have any right, title or interest to the Rep Expense Amount and shall not make any claims against the Rep Expense Amount under this Agreement or otherwise. The Holder Representative shall have sole signature authority over such separate account, and may pay any Rep Expenses out of such account and be reimbursed or reimburse any third party for any Rep Expenses from the Rep Expense Amount, as a first resort, at any time at its sole discretion. Should the Rep Expense Amount not suffice for payment of the Rep Expenses, then upon written request of the Holder Representative, the Holder Representative shall be entitled to call upon the Indemnifying Persons to contribute additional amounts to such account, in proportion to their Indemnity Pro Rata Share. The Holder Representative shall not be required to provide to the Purchaser a copy of any document provided to the Paying Agent regarding the Rep Expense Amount.

(b) The Holder Representative will not be required to take any action involving any expense unless the payment of such expense is made or provided for in a manner satisfactory to him, her or it. The Indemnifying Persons shall be responsible for and shall on a pro rata basis based on their Indemnity Pro Rata Share, reimburse the Holder Representative or any member thereof upon demand for all reasonable expenses, disbursements and advances incurred or made by the Holder Representative in connection the Holder Representative duties in accordance with any of the provisions of this Agreement, the Escrow Agreement or any other documents executed in connection herewith or therewith, including the costs and expense of receiving advice of counsel according to this Agreement and the Escrow Agreement.

Section 12.03 Release from Liability; Indemnification.

Each Indemnifying Person hereby releases the Holder Representative and each Indemnifying Person agrees, severally and not jointly, on a pro rata basis based on their Indemnity Pro Rata Share, to indemnify, defend and hold harmless the Holder Representative (including any losses incurred, as such losses are incurred) for, arising out of or in connection with the acceptance or administration of the Holder Representative's duties hereunder or any action taken or not taken by him, her or it in his, her or its capacity as such agent (including the reasonable legal costs and expenses of defending the Holder Representative against any claim or liability (and all actions, claims, proceedings and investigations in respect thereof) in connection with, caused by or arising out of, directly or indirectly from, the performance of the Holder Representative's duties hereunder), except for the liability of the Holder Representative, or any member thereof, to an Indemnifying Person for loss which such holder will suffer from the willful misconduct, fraud or gross negligence of the Holder Representative in carrying out his, her or its duties hereunder. If not paid directly to the Holder Representative by the Indemnifying Persons, any such losses, liabilities or expenses may be recovered by Holder Representative from any amounts in the Rep Expense Amount and the Escrow Fund otherwise distributable to the Indemnifying Persons pursuant to the terms hereof, the Paying Agent Agreement and the Escrow Agreement at the time of distribution to the Indemnifying Persons in accordance with written instructions delivered by the Holder Representative to the Paying Agent or the Escrow Agent, as applicable; provided that while this section allows the Holder Representative to be paid from any distributable portion of the Rep Expense Amount and Escrow Fund, this does not relieve the Indemnifying Persons from their obligation to promptly pay such losses, liabilities and expenses as they are suffered or incurred, nor does it prevent the Holder Representative from seeking any remedies available to it at law or otherwise. In no event will the Holder Representative be required to advance its own funds on behalf of the Indemnifying Persons or otherwise. The Holder Representative will not incur any liability with respect to any action taken or suffered by him, her or it in reliance upon any notice, direction, instruction, consent, statement or other document believed by him, her or it to be genuine and to have been signed by the proper person (and shall have no responsibility to determine the authenticity thereof), nor for any other action or inaction, except his own willful misconduct. In all questions arising under this Agreement or the Escrow Agreement, the Holder Representative may rely on the advice of counsel, and the Holder Representative will not be liable to the Indemnifying Persons for anything done, omitted or suffered by the Holder Representative based on such advice. Except as expressly provided herein, any and all decisions, acts, consents or instructions made or given by the Holder Representative in connection with this Agreement or the Escrow Agreement shall constitute a decision of all the Indemnifying Persons and shall be final, binding and conclusive upon each and every Indemnifying Person, and the Purchaser shall be entitled to rely upon any such decision, act, consent or instruction of the Holder Representative. The Indemnifying Persons acknowledge and agree that the foregoing indemnities will survive the resignation or removal of the Holder Representative or the termination of this Agreement.

ARTICLE XIII
MISCELLANEOUS

Section 13.01 Expenses.

All costs and expenses (including all legal, accounting, broker, finder or investment banker fees) incurred in connection with this Agreement and the Documents and the transactions contemplated hereby and thereby are to be paid by the Party incurring such expenses, except to the extent otherwise provided
herein.

Section 13.02 Notices.

All notices, requests, demands, claims and other communications that are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given when received if personally delivered; the Business Day after it is sent, if sent for next day delivery to a domestic address by recognized overnight delivery service (e.g., Federal Express); and five (5) Business Days after the date mailed by certified or registered mail, postage prepaid, if sent by certified or registered mail, return receipt requested. In each case notice shall be sent to:

If to the Purchaser:
Labstyle Innovations Ltd.
Address: 8 HaTokhen Street, Caesarea Industrial Park, Israel 3088900
Attention: Zvi Ben David
Email: Zvi@mydario.com

With a copy to:
Dario Health Corp
Address: 142 W 57th Street, New York, NY 10019, USA
Attention: Zvi Ben David
Email: Zvi@mydario.com

With a copy to:
Sullivan & Worcester LLP
1633 Broadway
New York, New York 10019
Attention: Oded Har-Even

E-mail: ohareven@sullivanlaw.com If to the Company:

If to the Company:
Upright Technologies Ltd.
Address: 23Shoken St., Tel Aviv, Israel
Attention: Oded Cohen
Email: oded@uprightpose.com

With a copy to:
Meitar, Law Offices
16 Abba Hillel St.
Ramat Gan, 5250608, Israel
Attention: Itay Frishman, Adv.
Email: itayf@meitar.com

If to the Holder Representative:
Vertex V (C.I.) Fund L.P.
Address: 1 HaShikma Street, Savyon
Attention: Ran Gartenberg
Email: ran@vertexventures.com

With a copy to:

Meitar, Law Offices
16 Abba Hillel St.
Ramat Gan, 5250608, Israel
Attention: Itay Frishman, Adv.
Email: itayf@meitar.com

or to such other address with respect to a Party as such Party notifies the other in writing as provided above.

Section 13.03 Third Party Beneficiaries.

Except as specifically set forth or referred to in this Agreement, this Agreement does not benefit or create any legal or equitable right, remedy or claim in or on behalf of any Person other than the Parties. Except as specifically set forth or referred to in this Agreement, this Agreement and all of its terms and conditions are for the sole and exclusive benefit of the Parties and their successors and permitted assigns.

Section 13.04 Complete Agreement.

This Agreement, including the Appendices and Exhibits hereto, the Company Disclosure Schedule and the other agreements, documents and written understandings referred to herein or otherwise entered into or delivered by the Parties on the date of this Agreement, including the Documents, constitute the entire agreement and understanding and supersede all other prior covenants, agreements, undertakings, obligations, promises, arrangements, communications, representations and warranties, whether oral or written, by any Party or by any director, officer, member, partner, employee, agent, Affiliate or Representative of any Party in their capacity as such.

Section 13.05 Headings; References.

The titles, captions or headings contained in this Agreement are for convenience of reference only and are not intended to be a part of this Agreement and do not affect the interpretation or construction hereof. When a reference is made in this Agreement to a Section or an Article, such reference is to a Section or Article of this Agreement unless otherwise indicated.

Section 13.06 Governing Law; Jurisdiction.

(a) This Agreement (including any claim or controversy arising out of or relating to this Agreement and the Documents) shall be governed by, and construed in accordance with, the laws of the State of Israel without giving effect to conflicts of laws principles that would result in the application of the Law of any other state.

(b) All disputes arising out of or in connection with this Agreement which the parties are unable to resolve within thirty (30) calendar days shall be resolved exclusively in arbitration in accordance with the rules provisions of the Israeli Arbitration Law-1968 (the "Rules") in Tel-Aviv, Israel by a single arbitrator appointed jointly by Purchaser and the Holder Representative, and if no agreement is reached on the identity of the arbitrator within ten (10) days following a written demand, the identity of the arbitrator will be determined in accordance with the Rules. The language to be used the arbitral shall be English. Any ruling or decision of the Arbitrator may be enforced in any court of competent jurisdiction. The arbitrator shall not be bound by procedure law or rules of evidence, but will rule consistent with the substantive law of the State of Israel. The award of the Arbitrator shall be in writing, state the reasons upon which it is based, and shall be final and binding upon the parties. This Section constitutes an Arbitration Agreement in accordance with the Rules. In the event of any contradiction between the provisions hereof and the Rules, the provisions of this Agreement shall prevail. All arbitral proceedings conducted with reference to this arbitration clause shall be kept strictly confidential. This confidentiality undertaking shall cover all information disclosed in the course of such arbitral proceedings, as well as any decision or award that is made or declared during the proceedings. Information covered by this confidentiality undertaking may not, in any form, be disclosed to any third party without the written consent of all Parties, except for their legal advisors and other advisors or Persons (and, in the case of the Holder Representative, except also for the Indemnifying Parties) with a need to know of such proceedings, provided that such third party advisors and Persons are subject to confidentiality undertaking not less strict than the provisions of this confidentiality undertaking. The immediately preceding sentence notwithstanding, no Party shall be prevented from disclosing such information if, and to the extent, such Party is obliged to disclose it under statute, regulation, decision of a Governmental Authority, stock exchange contract or similar, provided that (to the extent lawfully possible) the disclosing party first consults with any affected Party as to the nature, proposed form, timing and purpose of such disclosure and uses all reasonable endeavors to ensure that such information is treated by any receiving party as confidential.

Section 13.07 Severability.

Any term or provision of this Agreement that is invalid or unenforceable in any jurisdiction will, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision is to be interpreted to be only as broad as is enforceable.

Section 13.08 Counterparts.

This Agreement may be executed in any number of counterparts, each of which will be deemed an original and all of which together will constitute one and the same instrument. A signature to this Agreement delivered by facsimile or electronic mail will be sufficient for all purposes between the Parties.

Section 13.09 Rules of Construction.

The Parties hereto agree that they have been represented by counsel during the negotiation, preparation and execution of this Agreement and, therefore, waive the application of any law, regulation, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the party drafting such agreement or document.

Section 13.10 Specific Performance.

Except as otherwise provided in Article X, the rights and remedies of the Parties hereto shall be cumulative (and not alternative). The Parties hereto agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the Parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement or to enforce specifically the performance of the terms and provisions of this Agreement in addition to any other remedy to which they are entitled at law or in equity, in each case without the requirement of posting any bond or other type of security.

Section 13.11 Amendments and Waivers.

(a) This Agreement may not be amended, modified, altered or supplemented other than by means of a written instrument duly executed and delivered on behalf of Purchaser, the Holder Representative (acting exclusively for and on behalf of all of the Indemnifying Parties) and, until the Closing, the Company (provided no amendment may be entered into which discriminates any specific Indemnifying Person, without the prior written consent of such specific Indemnifying Person).

(b) Except as expressly set forth in this Agreement, no failure on the part of any Person to exercise any power, right, privilege or remedy under this Agreement, and no delay on the part of any Person in exercising any power, right, privilege or remedy under this Agreement, shall operate as a waiver of such power, right, privilege or remedy; and no single or partial exercise of any such power, right, privilege or remedy shall preclude any other or further exercise thereof or of any other power, right, privilege or remedy. No Person shall be deemed to have waived any claim arising out of this Agreement, or any power, right, privilege or remedy under this Agreement, unless the waiver of such claim, power, right, privilege or remedy is expressly set forth in a written instrument duly executed and delivered on behalf of such Person; and any such waiver shall not be applicable or have any effect except in the specific instance in which it is given.

Section 13.12 Binding Effect; Benefit; Assignment.

(a) The provisions of this Agreement shall be binding upon and shall inure to the benefit of the Parties hereto and their respective successors and assigns. Except as otherwise set forth in this Agreement, this Agreement is not intended to confer any rights, benefits, remedies, obligations or liabilities hereunder upon any Person, other than the Parties hereto and their respective successors and assigns.

(b) No Party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of each other Party hereto, except that Purchaser may transfer or assign its rights and obligations under this Agreement, without obtaining the consent or approval of any other Party hereto, in whole or from time to time in part, to one or more of its Affiliates at any time; provided that the Purchaser remains ultimately liable for all of Purchaser's obligations hereunder.

Section 13.13 No Right of Setoff.

The Purchaser shall not be entitled to set-off against any payment obligations owing by it to any of the Equityholders under this Agreement, or any other certificate, agreement, document or other instrument to be executed and delivered by the Purchaser in connection with the transactions contemplated hereby, or against any claims that the Purchaser may have under such agreements against any of the Equityholders.

Section 13.14 Conflict Waiver

Notwithstanding that the Company has been represented by Meitar | Law Offices (the "**Firm**") in the preparation, negotiation and execution of this Agreement, the Documents and the transactions contemplated herein ("**Transaction**"), each of the Company and the Purchaser agrees that after the Closing Date the Firm may represent the Holder Representative, the Indemnifying Parties and/or their Affiliates in matters related to this Agreement and the ancillary agreements hereto, including without limitation in respect of any indemnification claims in connection with this Transaction. The Company hereby acknowledges, on behalf of itself and its Affiliates, that it has had an opportunity to ask for and has obtained information relevant to such representation, including disclosure of the reasonably foreseeable adverse consequences of such representation, and it hereby waives any conflict arising out of such future representation. Neither the Company nor the Purchaser Indemnified Parties may waive attorney-client privilege with respect to the Transaction without Holder Representative's written consent.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by this respective authorized officers as of the date first written above.

Labstyle Innovation Limited

By: /s/ Zvi Ben David
Name: Zvi Ben David
Title: Director

DarioHealth Corp.

By:
Name: /s/ Erez Raphael
Title: CEO

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by this respective authorized officer as of the date first written above.

LABSTYLE INNOVATION LTD

By: _____

Name: _____

Title: _____

DARIO HEALTH CORP

By: _____

Name: _____

Title: _____

UPRIGHT TECHNOLOGIES LTD

By: /s/ Oded Cohen

Name: _____

Title: _____

[Signature Page to Share Purchase Agreement (Project Dario)]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by this respective authorized officer as of the date first written above.

VERTEX V (C.I.) FUND L.P.

By: /s/ Ran Gartenberg /s/ Aviad Ariel

Name:

Title:

VERTEX ISRAEL OPPORTUNITY FUND, L.P.

By: /s/ Ran Gartenberg /s/ Aviad Ariel

Name:

Title:

SBI – VERTEX V (C.I.) ISRAEL FUND, L.P.

By: /s/ Ran Gartenberg /s/ Aviad Ariel

Name:

Title:

VERTEX ISRAEL OPPORTUNITY FUND UT,

By: /s/ Ran Gartenberg /s/ Aviad Ariel

Name:

Title:

[Signature Page to Share Purchase Agreement (Project Dario)]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by this respective authorized officer as of the date first written above.

VERTEX V (C.I.) FUND L.P., solely in its capacity as the Holder Representative

By: /s/ Aviad Ariel /s/ Ran Gartenberg

Name:

Title:

[Signature Page to Share Purchase Agreement (Project Dario)]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by this respective authorized officer as of the date first written above.

ZEN INVESTMENTS LIMITED	THREE SEVEN INVESTMENT SPC LIMITED
By: /s/ Anthony Arzt	By: /s/ Anthony Arzt
Name:	Name:
Title:	Title:

[Signature Page to Share Purchase Agreement (Project Dario)]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by this respective authorized officer as of the date first written above.

DAMSI INVESTMENTS, LLC

By: /s/ Mauro Wjuniski

Name:

Title:

VLTCM LTD.

By: /s/ Angela Tordesillas

Name:

Title:

RAMI LIPMAN
/s/ Rani Lipman

SHARI BLECHER
/s/ Shari Blecher

ILAN KAUFTHAL
/s/ Ilan Kaufthal

ARI PERKINS AND JENNIFER PERKINS
/s/ Ari Perkins And Jennifer Perkins

ANDY BURSKY
/s/ Andy Bursky

PETER BACON
/s/ Peter Bacon

SHLOMO AJAMI
/s/ Shlomo Ajami

YOAV HARLAP
/s/ Yoav Harlap

RONIT SHRAGA
/s/ Ronit Shraga

ELAD SHRAGA
/s/ Elad Shraga

GERARD LEVY
/s/ Gerard Levy

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by this respective authorized officer as of the date first written above.

ODED COHEN

/s/ Oded Cohen

[Signature Page to Share Purchase Agreement (Project Dario)]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by this respective authorized officer as of the date first written above.

ALTSHULER SHAHAM TRUSTS LTD.

in trustfor Liran Reller

By: /s/ Oded Cohen

Name: _____

Title: _____

[Signature Page to Share Purchase Agreement (Project Dario)]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by this respective authorized officer as of the date first written above.

ALTSHULER SHAHAM TRUSTS LTD.
in trust for Sergei Burgsdof

By: /s/ Roy Fisher

Name: _____

Title: _____

[Signature Page to Share Purchase Agreement (Project Dario)]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by this respective authorized officer as of the date first written above.

ALTSHULER SHAHAM TRUSTS LTD.
in trust for Omer Gerzon

By: /s/ Roy Fisher

Name: _____

Title: _____

[Signature Page to Share Purchase Agreement (Project Dario)]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by this respective authorized officer as of the date first written above.

ALTSHULER SHAHAM TRUSTS LTD.
in trust for Inbal Aharon

By: /s/ Roy Fisher

Name: _____

Title: _____

[Signature Page to Share Purchase Agreement (Project Dario)]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by this respective authorized officer as of the date first written above.

ALTSHULER SHAHAM TRUSTS LTD.
in trust for Ori Fruhauf

By: /s/ Roy Fisher

Name: _____

Title: _____

[Signature Page to Share Purchase Agreement (Project Dario)]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by this respective authorized officer as of the date first written above.

ALTSHULER SHAHAM TRUSTS LTD.
in trust for Hadas Cohen

By: /s/ Roy Fisher

Name: _____

Title: _____

[Signature Page to Share Purchase Agreement (Project Dario)]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by this respective authorized officer as of the date first written above.

ALTSHULER SHAHAM TRUSTS LTD.
in trust for Yifah Avital

By: /s/ Roy Fisher

Name: _____

Title: _____

[Signature Page to Share Purchase Agreement (Project Dario)]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by this respective authorized officer as of the date first written above.

ALTSHULER SHAHAM TRUSTS LTD.
in trust for Adi Yarden

By: /s/ Roy Fisher

Name: _____

Title: _____

[Signature Page to Share Purchase Agreement (Project Dario)]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by this respective authorized officers as of the date first written above.

Tmura

By: /s/ Baruch Lipner

Name: _____

Title: _____

[Signature Page to Share Purchase Agreement]

Schedule 1

Selling Shareholders

1. Oded Cohen

2. Yoav Harlap

3. Gerard Levy

4. Elad Shraga

5. Ronit Shraga

6. Shlomo Ajami

7. VLTCM Ltd.

8. Zen Investments Limited

9. Three Seven Investments SPC Limited

10. Peter Bacon

11. Damsi Investments, LLC

12. Shari Blecher

13. Ilan Kaufthal

14. Rami Lipman

15. Ari Perkins and Jennifer Perkins

16. Andy Bursky

17. Vertex V (C.I.) Fund L.P.

18. SBI – Vertex V (C.I.) Israel Fund, L.P.

19. Vertex Israel Opportunity Fund, L.P.

20. Vertex Israel Opportunity Fund UT, L.P.

21. Altshuler Saham Trusts Ltd. in trust for Liran Reller

22. Altshuler Saham Trusts Ltd. in trust for Sergei Burgsdof

23. Altshuler Saham Trusts Ltd. in trust for Omer Gerzon

24. Altshuler Saham Trusts Ltd. in trust for Inbal Aharon Almozlino

25. Altshuler Saham Trusts Ltd. in trust for Ori Fruhauf

26. Altshuler Saham Trusts Ltd. in trust for Hadas Cohen

27. Altshuler Saham Trusts Ltd. in trust for Yifah Avital

28. Altshuler Saham Trusts Ltd. in trust for Adi Yarden

29. Tmura – The Israeli Public Service Venture Fund

Schedule 2

Knowledge Group

1. Oded Cohen

2. Limor Farchy

Exhibit 21.1

Subsidiaries of the Registrant

Labstyle Innovation Ltd., an Israeli company
Upright Technologies Ltd., an Israeli company

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 333-251968, 333-249474 and 333-236271) and the Registration Statements on Form S-3 (File No. 333-248653, 333-237275, 333-229259, 333-228201 and 333-224458) of DarioHealth Corp. ("the Company"), of our report dated March 8, 2021 with respect to the consolidated financial statements of the Company and its subsidiary included in this Annual Report on Form 10-K for the year ended December 31, 2020.

Tel-Aviv, Israel
March 8, 2021

/s/ Kost Forer Gabbay & Kasierer
A Member of Ernst & Young Global

Exhibit 31.1

CERTIFICATION
OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULE 13A-14(A) AND 15D-14(A)
UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Erez Raphael, certify that:

1. I have reviewed this Annual Report on Form 10-K of DarioHealth Corp. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13-a13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure 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 period 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 8, 2021

/s/ Erez Raphael
Erez Raphael
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION
OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULE 13A-14(A) AND 15D-14(A)
UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Zvi Ben David, certify that:

1. I have reviewed this Annual Report on Form 10-K of DarioHealth Corp. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13-a13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure 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 period 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 8, 2021

/s/ Zvi Ben David
Zvi Ben David
Chief Financial Officer, Secretary and Treasurer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION
OF PRINCIPAL EXECUTIVE OFFICER AND
PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U. S. C. SECTION 1350,

In connection with the Annual Report of DarioHealth Corp. (the "Company") on Form 10-K for the period ended December 31, 2020 (the "Report"), I, Erez Raphael, Chief Executive Officer of the Company, and I, Zvi Ben David, Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; 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 8, 2021

/s/ Erez Raphael
Erez Raphael
Chief Executive Officer
(Principal Executive Officer)

Date: March 8, 2021

/s/ Zvi Ben David
Zvi Ben David
Chief Financial Officer, Secretary and Treasurer
(Principal Financial Officer)