UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)
☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

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

For the fiscal year ended December 31, 2021

OR

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

OR

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

Date of event requiring this shell company report

For the transition period from to

Commission file number 001-38024

NANO-X IMAGING LTD

(Exact name of Registrant as specified in its charter)

N/A
(Translation of Registrant's name into English)

State of Israel
(Jurisdiction of incorporation or organization)

Communication Center,
Neve Ilan, Israel 9085000
(Address of principal executive offices)

Erez Meltzer, Chief Executive Officer
Telephone: +972 02 5360360
Facsimile: +972 02 544 5214
Communication Center,
Neve Ilan, Israel 9085000
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Trading Symbol	Name of each exchange on which registered
Ordinary Shares, par value NIS 0.01 per share	**NNOX**	**The NASDAQ Stock Market LLC**

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

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 51,791,441 Ordinary Shares as of December 31, 2021

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Note—Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those sections.

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, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Emerging growth company	☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, 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. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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 which basis of accounting the registrant has used to prepare the financial statements included in this annual report:

U.S. GAAP ☒ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by checkmark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☐

TABLE OF CONTENTS

INTRODUCTION

NANO-X IMAGING LTD was incorporated under the laws of the State of Israel on December 20, 2018 and commenced operations on September 3, 2019. Unless the context otherwise requires, all references to "Nanox," "we," "us," "our," the "Company" and similar designations refer to NANO-X IMAGING LTD, an Israeli company, and its consolidated subsidiaries. Unless derived from our financial statements or otherwise noted, the terms "shekels" and "NIS" refer to New Israeli Shekels, the lawful currency of the State of Israel, the terms "dollar" or "$" refer to U.S. dollars, the lawful currency of the United States, "and "KRW" refers to Korean Won, the lawful currency of South Korea.

FORWARD-LOOKING STATEMENTS

This annual report on Form 20-F contains forward-looking statements that are based on our management's belief and assumptions and on information currently available to our management. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these statements relate to future events or our future financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements stated in or implied by these forward-looking statements.

All statements that are not historical facts contained in this annual report on Form 20-F are forward-looking statements. These forward-looking statements include information about possible or assumed future results of our business, financial condition, results of operations, prospects, liquidity, plans and objectives. In some cases, you can identify forward-looking statements by terminology such as "can," "might," "believe," "may," "estimate," "continue," "anticipate," "intend," "should," "plan," "should," "could," "expect," "predict," "potential," or the negative of these terms or other similar expressions. Forward-looking statements are based on information we have when those statements are made or our management's good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning:

- the initiation, timing, progress and results of our research and development, manufacturing and commercialization activities with respect to our X-ray source technology or the Nanox.ARC and the Nanox.CLOUD, which comprise the Nanox System;
- our ability to successfully demonstrate the feasibility of our technology for commercial applications;
- our expectations regarding the necessity of, timing of filing for, and receipt of, regulatory clearances or approvals regarding our technology, the Nanox.ARC and the Nanox.CLOUD;
- our ability to secure and maintain required U.S. Food and Drug Administration (the "FDA") clearance and similar approvals from regulatory agencies worldwide and comply with applicable quality standards and regulatory requirements;
- our ability to manufacture the Nanox.ARC, if cleared, at substantially lower costs compared to medical imaging systems that use a legacy analog X-ray source;
- our expectations regarding the deployment schedule to meet our target minimum installed base of our first Nanox Systems and final deployment of 15,000 Nanox Systems;
- the pricing structure of our products and services, if such products and services receive regulatory clearance or approval;
- the implementation of our business models;
- the ability to successfully integrate the business of companies that we acquire and to realize the anticipated benefits of the acquisitions, which may be affected by, among other things, competition, brand recognition, the ability of the acquired company to grow and manage growth profitably and retain its key employees;
- our expectations regarding collaborations with third-parties and their potential benefits;

- our ability to enter into and maintain our arrangements with third-party manufacturers and suppliers;
- our ability to conduct business globally;
- our expectations regarding when certain patents may be issued and the protection and enforcement of our intellectual property rights;
- our ability to operate our business without infringing the intellectual property rights and proprietary technology of third parties;
- regulatory developments in the United States and other jurisdictions;
- estimates of our expenses, future revenues, capital requirements and our needs for additional financing;
- the rate and degree of market acceptance of our technology and our products;
- development relating to our competitors and the medical imaging industry;
- our estimates of the adoption of the Medical Screening as Service ("MSaaS") based model by market participants;
- our estimates regarding the market opportunities for our technology and our products;
- our ability to attract, motivate and retain key executive managers;
- our ability to comply with data protection laws, regulations and similar rules and to establish and maintain adequate cyber-security and data protection;
- our ability to obtain third-party payor coverage or reimbursement of our Nanox System;
- our expectation regarding the maintenance of our foreign private issuer status;
- the ongoing impact of the COVID-19 pandemic, including mitigation efforts and economic effects, on any of the foregoing or other aspects of our business operations, including but not limited to the development, deployment and regulatory clearance of the Nanox Systems;
- the costs incurred with respect to and the outcome of the securities class-action litigation we are currently subject to and any similar or other claims and litigation we may be subject to in the future; and
- our success at managing other risks and uncertainties, including those listed under "Item 3. Key Information—D. Risk Factors."

Many important factors, in addition to the factors described above and in other sections of this annual report on Form 20-F, could adversely impact our business and financial performance. The forward-looking statements contained in this annual report on Form 20-F speak only as of the date of this annual report on Form 20-F and are subject to a number of known and unknown risks, uncertainties and assumptions, including those described under the sections in this annual report on Form 20-F entitled "Item 3. Key Information—D. Risk Factors" and "Item 5. Operating and Financial Review and Prospects" and elsewhere in this annual report on Form 20-F. Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified and some of which are beyond our control, you should not rely on these forward-looking statements as predictions of future events. Moreover, we operate in an evolving environment. New risks and uncertainties emerge from time to time, and it is not possible for our management to predict all risks and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from estimates or forward-looking statements. We qualify all of our forward-looking statements by these cautionary statements. Except as required by law, we undertake no obligation to update publicly any forward-looking statements after the date of this annual report on Form 20-F to conform these statements to actual results or to changes in our expectations.

PART I

Item 1. Identity of Directors, Senior Management and Advisors

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. [Reserved]

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Risk Factors Summary

Risks Related to Our Business

- We are a development-stage company with limited operating history. We expect to incur significant additional losses in the future and may never be able to effectuate our business plan or achieve significant revenues or reach profitability. Therefore, at this stage of our business, potential investors have a high probability of losing their entire investment.
- Our efforts may never demonstrate the feasibility of our digital X-ray source technology, including both the micro-electro-mechanical systems ("MEMs") X-ray chips and tubes, for commercial applications.
- Two of our business models depend on the successful commercial application of the Nanox.CLOUD, which is subject to numerous risks and uncertainties.
- We are highly dependent on the successful development, marketing and sale of our X-ray source technology and the related products and services.
- Products utilizing our technology may need to be approved or cleared by the FDA and similar regulatory agencies worldwide. We may not receive, or may be delayed in receiving, the necessary approval or clearance for our future products, which would adversely affect business, financial condition, results of operations and prospects.
- We may need to obtain additional financing to fund our future operations. If we are unable to obtain such financing, we may be unable to complete the development and commercialization of our technology and our products and services.
- The success of our primary business model, the Subscription Model, is subject to numerous risks and uncertainties.
- We may not be successful in tailoring our X-ray source to the specific systems of other medical imaging companies under our Licensing Model, and/or entering into licensing agreements on terms favorable to us.
- To the extent that we license our X-ray source technology to other medical imaging companies, the products integrating our technology may need to be approved or cleared by the FDA or similar regulatory agencies.
- We recently completed the acquisitions of Nanox AI (formerly known as Zebra), USARAD and the assets of MDWEB. Our failure to successfully, and in a timely manner, integrate the acquired businesses and assets or any future acquisition and/or new lines of businesses could have an adverse effect on our business, financial condition, and results of operations.
- A pandemic, epidemic or outbreak of an infectious disease, such as COVID-19, may materially and adversely affect our business and our financial results and could cause a disruption to the development or deployment of the Nanox System.

- Our industry is highly competitive and is subject to technological change, which may result in new products or solutions that are superior to our technology or other future products we may bring to market from time to time. If we are unable to anticipate or keep pace with changes in the marketplace and the direction of technological innovation and customer demands, our technology may become less useful or obsolete and our operating results will suffer.

- We expect to depend on third parties to manufacture the Nanox.ARC and to supply certain component parts. Our reliance on third-party manufacturers and suppliers involves certain risks that may result in, among others, increased costs, quality or compliance issues, or failure to timely manufacture the Nanox.ARC, any of which could materially harm our business.

- We may experience development or manufacturing problems and higher costs, or delays that could limit our revenue, if any, or increase our losses.

- We may not be able to successfully execute our business models.

- We have a limited operating history. If we successfully commercially launch the Nanox System, and it does not achieve widespread market acceptance, we will not be able to generate the revenue necessary to support our business.

- We plan to do business globally, including in certain countries where we might have limited resources and would be subject to additional regulatory burdens and other risks and uncertainties.

- Because the Nanox System is still in the development stage, it is not yet approved for third-party payor coverage or reimbursement. If in the future we are approved for and are otherwise able to commercialize it, but are unable to obtain adequate reimbursement or insurance coverage from third-party payors, we may not be able to generate significant revenue, in which case we may need to obtain additional financing.

- Recent changes in the United States related to payment policies for imaging procedures could have a negative impact on the utilization of our imaging services.

- Billing complexities associated with obtaining payment or reimbursement may negatively affect our revenue, cash flow and profitability.

- Any collaborative and MSaaS arrangements that we have established or may establish in the future may not be successful or we may otherwise not realize the anticipated benefits from these collaborations. We do not control third parties with whom we have or may have collaborative or MSaaS arrangements, and we will rely on them to achieve results which may be significant to us. In addition, any current or future collaborative and MSaaS arrangements may place the development and commercialization of our technology outside our control, may require us to relinquish important rights or may otherwise be on terms unfavorable to us.

- We could become subject to product liability claims, product recalls, warranty claims and professional malpractice liability claims that could be expensive, divert management's attention and harm our business reputation and financial results.

- We are highly dependent on key members of our executive management team. Our inability to retain these individuals could impede our business plan and growth strategies, which could have a negative impact on our business and the value of your investment.

- The mishandling or the perceived mishandling of sensitive information, or the occurrence of data security breaches, could harm our business.

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

- Our ability to generate revenue from our teleradiology services and AI solutions, as well as the other imaging offerings that we are developing will depend in large part on referrals from physicians.

- If we lose a significant number of our radiologists, our revenue from our teleradiology services and financial results could be adversely affected.

- Exchange rate fluctuations between the U.S. dollar, the New Israeli Shekel and the KRW and inflation may negatively affect our results of operations, and we may not be able to hedge our currency exchange risks successfully.

- We are currently subject to securities class-action litigation and U.S. Securities and Exchange Commission ("SEC") inquiry and may be subject to similar or other claims, litigation and investigations in the future, all of which will require significant management attention, could result in significant legal expenses and may result in unfavorable outcomes, all or any of which could have a material adverse impact on our financial condition and results of operations, harm our reputation or otherwise negatively impact our business.

- If significant tariffs or other restrictions related to "trade wars" are placed on Chinese imports or any related counter-measures are taken by China, our revenue and results of operations may be materially harmed.

- Our business may be impacted by changes in general economic conditions.

- Our business, financial condition and results of operations may be materially adversely affected by any negative impact on the global economy and capital markets resulting from the conflict in Ukraine or any other geopolitical tensions.

- We do not expect to carry any business interruption insurance or any other insurance (except for director and officer, property, product liability, malpractice and clinical trials insurance). As a result, we may incur uninsured losses, increasing the possibility that you would lose your entire investment in our company.

- Certain of our directors and/or officers may have interests that compete with ours.

- Our management team has limited experience managing a public company.

Risks Related to Our Intellectual Property

- It is difficult and costly to protect our intellectual property and our proprietary technologies, and we may not be able to ensure their protection.

- Patent terms may be inadequate to protect our competitive position on our future products for an adequate amount of time.

- Claims that our technology or our future products or the sale or use of our future products infringe the patents or other intellectual property rights of third parties could result in costly litigation or could require substantial time and money to resolve, even if litigation is avoided.

- Obtaining and maintaining patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated if we or our future licensors do not comply with these requirements.

- We may be subject to claims that our employees, consultants or advisers have wrongfully used or disclosed alleged trade secrets of their former employers or claims asserting ownership of what we regard as our own intellectual property.

- If our trademarks and trade names are not adequately protected, then we may not be able to build name recognition in our markets of interest and our business may be adversely affected.

- Our rights to develop and commercialize our products may be subject to the terms and conditions of licenses and sublicenses granted to us by third parties.

- We may be required to pay certain milestones and royalties and fulfill other obligations under our license agreements with third-party licensors.

- If we choose to license our technology to third parties, this could result in disputes or otherwise limit our future operations.

Risks Related to Government Regulation

- Our product candidates and operations are subject to extensive government regulation and oversight both in the United States and abroad, and our failure to comply with applicable requirements could harm our business.

- We may not receive, or may be delayed in receiving, the necessary clearances or approvals for our future products, and failure to timely obtain necessary clearances or approvals for our future products would adversely affect our ability to grow our business.

- Failure to comply with post-marketing regulatory requirements could subject us to enforcement actions, including substantial penalties, and might require us to recall or withdraw a product from the market.

- Our products must be manufactured in accordance with federal, state and foreign regulations, and we could be forced to recall our devices or terminate production if we fail to comply with these regulations.

- The misuse or off-label use of our products may harm our reputation in the marketplace, result in injuries that lead to product liability suits or result in costly investigations, fines or sanctions by regulatory bodies if we are deemed to have engaged in the promotion of these uses, any of which could be costly to our business.

- Our products may cause or contribute to adverse medical events or be subject to failures or malfunctions that we are required to report to the FDA, and if we fail to do so, we would be subject to sanctions that could harm our reputation, business, financial condition and results of operations. The discovery of serious safety issues with our products, or a recall of our products either voluntarily or at the direction of the FDA or another governmental authority, could have a negative impact on us.

- Our relationships with customers and third-party payors will be subject to applicable anti-kickback, fraud and abuse and other healthcare laws and regulations, which could expose us to criminal sanctions, civil penalties, contractual damages, reputational harm and diminished profits and future earnings.

- Changes in laws or regulations relating to data protection, or any actual or perceived failure by us to comply with such laws and regulations or our privacy policies, could materially and adversely affect our business or could lead to government enforcement actions and significant penalties against us, and adversely impact our operating results.

- If we do not obtain and maintain international regulatory registrations, clearances or approvals for our products, we will be unable to market and sell our products outside of the United States.

- Legislative or regulatory reforms in the United States or the EU may make it more difficult and costly for us to obtain regulatory clearances or approvals for our products or to manufacture, market or distribute our products after clearance or approval is obtained.

- Healthcare reform laws could adversely affect our products and financial condition.

- Disruptions at the FDA and other government agencies caused by funding shortages or global health concerns could hinder their ability to hire, retain or deploy key leadership and other personnel, or otherwise prevent new or modified products from being developed, cleared or approved or commercialized in a timely manner or at all, which could negatively impact our business.

Risks Related to Employee Matters

- Under applicable employment laws, we may not be able to enforce covenants not to compete and therefore may be unable to prevent our competitors from benefiting from the expertise of some of our former employees.

- We may not be able to attract and retain the highly skilled employees we need to support our planned growth.

Risks Related to Owning Our Ordinary Shares

- Our share price may be volatile, and you may lose all or part of your investment.

- As a foreign private issuer, we are exempt from certain requirements that apply to domestic issuers and we are permitted to follow certain home country corporate governance practices instead of applicable SEC and Nasdaq requirements, which may result in less protection than is accorded to shareholders under rules applicable to domestic issuers.

- We may lose our foreign private issuer status which would then require us to comply with the Exchange Act's domestic reporting regime and cause us to incur significant legal, accounting and other expenses.

- We have not paid dividends in the past and have no immediate plans to pay dividends.

- We incur significant increased costs as a result of operating as a public company that reports to the SEC and our management may be required to devote substantial time to meet compliance obligations.

- Shares eligible for future sale may adversely affect the market for our ordinary shares and the issuance of additional ordinary shares as a result of the exercise of our outstanding warrants and options will dilute the percentage ownership of our other shareholders.

- The purchase price of the ordinary shares may not reflect our actual value.

- Our management conducted an evaluation of the effectiveness of our internal control over financial reporting and concluded that our internal control over financial reporting was not effective as of December 31, 2021. If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, shareholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our ordinary shares.

- We may be a passive foreign investment company ("PFIC") for U.S. federal income tax purposes, which could result in adverse U.S. federal income tax consequences to U.S. Holders of our ordinary shares.

Risks Related to Our Operations in Israel

- Conditions in Israel could materially and adversely affect our business.

- The termination or reduction of tax and other incentives that the Israeli government provides to Israeli companies may increase our costs and taxes.

- It may be difficult to enforce a U.S. judgment against us, our officers and directors named in this annual report on Form 20-F in Israel or the United States, or to assert U.S. securities laws claims in Israel or serve process on our officers and directors.

- Your rights and responsibilities as our shareholder will be governed by Israeli law, which may differ in some respects from the rights and responsibilities of shareholders of U.S. corporations.

- Our amended and restated articles of association contains exclusive forum provisions for certain claims, which could limit our shareholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

- Provisions of our amended and restated articles of association and Israeli law and tax considerations may delay, prevent or make difficult an acquisition of us, which could prevent a change of control and negatively affect the price of our ordinary shares.

Risks Related to Our Business

We are a development-stage company with limited operating history. We expect to incur significant additional losses in the future and may never be able to effectuate our business plan or achieve significant revenue or reach profitability. Therefore, at this stage of our business, potential investors have a high probability of losing their entire investment.

We are a development-stage company, and are subject to all of the risks inherent in the establishment of a new business enterprise. While we began to generate revenue in the year ended December 31, 2021 through the sale of teleradiology services and the sale of AI solutions, following the completion of the acquisitions of Nano-X AI Ltd ("Nanox AI") (formerly known as Zebra Medical Vision Ltd. ("Zebra")), USARAD Holdings, Inc., a Delaware corporation ("USARAD") and the assets of MDWEB, LLC ("MDWEB") in November 2021, we have a limited operating history and an unproven business plan upon which investors may evaluate our prospects. We have not yet demonstrated the feasibility of our digital X-ray source technology, including both the MEMs X-ray chips and tubes, for commercial applications. Although we have produced a working prototype of the Nanox.ARC and developed a prototype of the Nanox.CLOUD, we have not produced any of the approximately 15,000 Nanox.ARC units planned for the initial global deployment. We engaged Dagesh P.K. Ltd. ("Dagesh") to manufacture the first Nanox.ARC units in Israel on a purchase order basis that we expect will be used for the acceptance tests under our MSaaS agreements, demonstrations, regulatory approvals and for the initial global deployment, among other purposes. Even if we are able to manufacture the Nanox.ARC, we may not be able to do so at the low costs needed to support our business models, including the Subscription Model, which is our primary business model. We may not receive, or may be delayed in receiving, the necessary approval or clearance for the Nanox.ARC or our future products. We also have not entered into any commercial arrangement for the licensing of our X-ray source under the Licensing Model.

Furthermore, even if our technology becomes commercially viable, our business models may not generate sufficient revenue necessary to support our business. We estimate that effectively stimulating market interest in our Nanox System will require deploying at least 5,000 to 10,000 Nanox.ARC units. In addition, we estimate that a minimum installed base of at least 1,000 Nanox.ARC units will be needed to support our business during the initial deployment, assuming we enter into at least one licensing agreement on commercially reasonable terms. We may never achieve any of these thresholds for units deployed in the near-to-mid-term at any level or at all, which may cause our business to fail. The Subscription Model is based on selling the Nanox System at low cost or no cost using a pay-per-scan pricing structure, which is pioneering for medical imaging companies and is subject to numerous risks. The medical imaging industry is also highly competitive and our technology, products, services or business models may not achieve widespread market acceptance. If we are unable to address any issues mentioned above, or encounter other problems, expenses, difficulties, complications, and delays in connection with the starting and expansion of our business, our entire business may fail, in which case you may lose your entire investment.

We have a history of net losses and negative cash flow from operations since inception and we expect such losses and negative cash flows from operations to continue in the foreseeable future. As of December 31, 2021 and 2020, we had working capital of approximately $42.1 million and $215.3 million, respectively, and shareholders' equity of approximately $292.1 million and $230.7 million, respectively. For the years ended December 31, 2021, 2020 and 2019, we incurred net losses of approximately $61.8 million, $43.8 million and $22.6 million, respectively. As of December 31, 2021 and 2020, we had an accumulated deficit of approximately $146.2 million and $84.4 million, respectively, and negative cash flow from operations of $38.1 million, $21.5 million and $5.5 million for the years ended December 31, 2021, 2020 and 2019, respectively. We anticipate our losses will continue to increase from current levels because we expect to incur additional costs related to developing our business, including research and development costs, manufacturing costs, employee-related costs, costs related to acquisitions, costs of complying with government regulations, intellectual property development and prosecution costs, marketing and promotion costs, capital expenditures, general and administrative expenses (including litigation costs), and costs associated with operating as a public company.

Our ability to generate significant revenue from our operations and, ultimately, achieve profitability will depend on, among others, whether we can complete the development and commercialization of our technology, our future products and our services, including our X-ray source technology, the Nanox.ARC and the Nanox.CLOUD, whether we can manufacture the Nanox.ARC on a commercial scale in such amounts and at such costs as we anticipate, and whether we can achieve market acceptance of our products, services and business models. We may never generate significant revenue or operate on a profitable basis. Even if we achieve profitability, we may not be able to sustain it.

Our efforts may never demonstrate the feasibility of our digital X-ray source technology, including both the MEMs X-ray chips and tubes, for commercial applications.

We have developed our X-ray source technology, including both the MEMs X-ray chips and tubes, and a working prototype of the Nanox.ARC. Even though we believe our X-ray source, which we refer to as the Nanox.SOURCE, has achieved commercial applicability, our technology has not been tested over extended periods of time and therefore no meaningful data exists regarding the durability, safety and effectiveness of our X-ray source over extended periods. Although we have produced a working prototype of the Nanox.ARC, we may not be able to successfully integrate our X-ray source into the Nanox.ARC or any medical imaging system. In addition, there is no precedent for commercialization of technology like ours. Even with a fully functional prototype, the commercial scale production and deployment of Nanox.ARC will require significant additional development, sales and marketing efforts, and we may not be able to ensure the effectiveness, accuracy, consistency and safety of the Nanox.ARC in commercial settings. Any unanticipated technical or other problems and the possible insufficiency of funds and other resources needed to complete the development and commercialization of our X-ray source, the Nanox.ARC or the Nanox.CLOUD may result in delays and cause us to incur additional expenses that would increase our losses. If our X-ray source is not commercially feasible now or in the long term, our business may fail.

Two of our business models depend on the successful commercial application of the Nanox.CLOUD, which is subject to numerous risks and uncertainties.

In addition to the Nanox.ARC, we have also developed, and continue to improve, the Nanox.CLOUD, a companion cloud software designed to deliver MSaaS. The continued development and commercialization of the Nanox.CLOUD has a number of risks, including:

- the Nanox.CLOUD requires a considerable investment of technical, financial, and legal resources, which may not be available to us;
- it may require separate regulatory clearances or approvals;
- it may not be technically viable to integrate the Nanox.CLOUD with the businesses of our potential customers and collaborators, such as local operators, radiologists, cloud storage providers, medical artificial intelligence ("AI") software providers and others;
- market acceptance of the MSaaS model is affected by a variety of factors, including security, reliability, scalability, customization, performance, customer preference, patients' concerns with entrusting a third party to store and manage their health data, public concerns regarding privacy and compliance with restrictive laws or regulations;
- our cloud-based service may raise concerns among our customer base, including concerns regarding changes to pricing over time, service availability, information security of a cloud-based solution and access to medical images while offline;
- the Nanox.CLOUD may be subject to computer system failures, infrastructure failures, cyber-attacks or other security breaches;
- incorrect or improper implementation or use of the Nanox.CLOUD by third-party cloud-service providers under our Sales Model could result in customer dissatisfaction and harm our business and reputation;
- undetected software errors or flaws in the Nanox.CLOUD could harm our reputation or decrease market acceptance of the MSaaS model; and
- we may incur higher costs than we expected as we expand our cloud-based services.

If we are unable to successfully develop and commercialize the Nanox.CLOUD, our business, financial condition, results of operations and prospects could be negatively impacted.

We are highly dependent on the successful development, marketing and sale of our X-ray source technology and the related products and services.

Our core digital X-ray source technology is the basis of our business. The Nanox.ARC currently under development is being designed to integrate our X-ray source technology into a medical imaging device for commercial use. As a result, the success of our business plan is highly dependent on our ability to develop, manufacture and commercialize our X-ray source technology and related products and services, such as the Nanox.ARC and the Nanox.CLOUD, and our failure to do so could cause our business to fail. Successful commercialization of medical imaging devices is a complex and uncertain process, dependent on the efforts of management, manufacturers, local operators, integrators, medical professionals, third-party payors, as well as general economic conditions, among other factors. Any factor that adversely impacts the development and commercialization of our X-ray source technology or related products and services, including the Nanox.ARC, the Nanox.CLOUD and the Nanox System, will have a negative impact on our business, financial condition, results of operations and prospects. Some potential factors include:

- our ability to achieve sufficient market acceptance by hospitals and clinics, providers of medical imaging services, medical professionals such as radiologists, third-party payors and others in the medical community;
- our ability to compete with existing medical imaging technology companies;

- our ability to establish, maintain and expand our sales, marketing and distribution networks;
- our ability to obtain and/or maintain necessary regulatory approvals; and
- our ability to effectively protect our intellectual property.

Our inability to successfully obtain clearance or approval for and subsequently commercialize our X-ray source technology or related products and services, and/or successfully develop and commercialize additional products or any enhancements to the products which we may develop would have a material adverse effect on our business, financial condition, results of operations and prospects.

Products utilizing our technology may need to be approved or cleared by the FDA and similar regulatory agencies worldwide. We may not receive, or may be delayed in receiving, the necessary approval or clearance for our future products, which would adversely affect business, financial condition, results of operations and prospects.

We continue to implement a multi-step approach to the regulatory clearance process. As a first step, we submitted a 510(k) premarket notification to an accredited Review Organization under the FDA's 510(k) Third Party Review Program (the "Third Party Review Program") for a single-source version of the Nanox.ARC, known as the Nanox Cart X-Ray System. On April 1, 2021, we received clearance from the FDA to market our Nanox Cart X-Ray System. On June 17, 2021, we submitted a 510(k) premarket notification application to the FDA for the first version of our multi-source Nanox.ARC 3-D digital tomosynthesis system. On August 12, 2021, we received a request for additional information from the FDA concerning the first submission of our multi-source system. On January 10, 2022, we withdrew our first submission of our multi-source system. On January 12, 2022, we submitted to the FDA a Q-submission for the second version of our multi-source Nanox.ARC 3-D digital tomosynthesis system. The Q-submission program provides submitters an opportunity to have early collaboration and discussions about medical device submissions, through a request for feedback from and/or a meeting with the FDA regarding a potential or planned medical device submission. We believe that using this approach will assist to expedite and optimize the regulatory clearance process. The second version of the Nanox.ARC is an improved and enhanced version that was designed, among other things, to address certain deficiencies raised by the FDA during their review of the first submission from June 2021. We continue to communicate with the FDA and we expect the next step in this process to be the submission of a supplement to the Q-submission followed a formal 510(k) application to the FDA for the multi-source Nanox.ARC. If cleared by the FDA, we expect to commercialize the multi-source Nanox.ARC and we may seek alternatives for commercialization of our Nanox Cart X-Ray System. However, the review process may be more costly and time consuming than we expect and we may not ultimately be successful in completing the review process and our 510(k) premarket notification for the multi-source Nanox.ARC may not be cleared by the FDA in a timely manner or at all. We may also need to seek approval from foreign regulatory authorities. We believe the digital X-ray source falls within a category of radiology vacuum tubes converting electrical input power into X-rays that utilize the same energy levels, radiation types and throughputs as already existing and approved X-ray tubes applied in a wide range of radiology medical procedures. As a result, we expect that there will be no novel claim or methodology related to the X-ray radiation produced by the digital X-ray source; however, regulatory agencies may not agree. To date, we have not had any discussion with the FDA or other regulatory authorities regarding the regulatory pathways for the novel digital X-ray source. Efforts to achieve required governmental clearances and approvals could be costly and time consuming, and we may not be able to obtain any such required clearances or approvals in accordance with our anticipated timeline or in a cost-efficient manner. Any delay or failure to obtain necessary regulatory clearances or approvals could have a material negative impact on our ability to generate revenues. Even if the products containing our technology receive the required regulatory clearance or approval, such products will remain subject to extensive regulatory requirements. If we fail to comply with the regulatory requirements of the FDA and other applicable U.S. and foreign regulatory authorities, or previously unknown problems with any approved commercial products, manufacturers or manufacturing processes are discovered, we could be subject to administrative or judicially imposed sanctions.

In addition, the cost of compliance with new laws or regulations governing our technology or future products could adversely affect our business, financial condition, results of operations and prospects. New laws or regulations may impose restrictions or obligations on us that could force us to redesign our technology or other future products or services, and may impose restrictions that are not possible or practicable to comply with, which could cause our business to fail. See "—Risks Related to Government Regulation."

We may need to obtain additional financing to fund our future operations. If we are unable to obtain such financing, we may be unable to complete the development and commercialization of our technology and our products and services.

Our operations have consumed substantial amounts of cash since inception. Our net losses were $61.8 million, $43.8 million and $22.6 million for the years ended December 31, 2021, 2020 and 2019, respectively. In addition, significant resources were invested in the development of our X-ray source technology prior to us acquiring the technology. We anticipate that our future cash requirements will continue to be significant. While we began to generate revenue in the year ended December 31, 2021, we expect that we will need to obtain additional financing to implement our business plan as described in this annual report on Form 20-F. Specifically, although we believe our cash on hand is sufficient to complete the manufacture, shipping, installation and deployment of a significant number of Nanox.ARC units, as well as to support the continued research and development of the Nanox.ARC and the ongoing development of the Nanox.CLOUD, we may need to raise additional funds for such purposes. Such financings could include equity financing, which may be dilutive to shareholders, or debt financing, which would likely restrict our ability to borrow from other sources. In addition, such securities may contain rights, preferences or privileges senior to those of the rights of our current shareholders. Additional funds may not be available when we need them, on terms attractive to us, or at all. If adequate funds are not available on a timely basis, we may be required to curtail the development of our technology, products or services, or materially delay, curtail, reduce or terminate our research and development and commercialization activities. We could be forced to sell or dispose of our rights or assets. Any inability to raise adequate funds on commercially reasonable terms could have a material adverse effect on our business, financial condition, results of operation and prospects, including the possibility that a lack of funds could cause our business to fail and liquidate with little or no return to investors.

We operate in a capital intensive, high-cost industry that requires significant amounts of capital to fund operations. We incur capital expenditures to, among other things, manufacture and commercially deploy our Nanox Systems. To the extent we are unable to generate sufficient cash from our operations or we are unable to structure or obtain financing, we may be unable to meet our capital expenditure requirements to support the maintenance and continued growth of our operations.

The success of our primary business model, the Subscription Model, is subject to numerous risks and uncertainties.

We expect the Subscription Model to be our primary business model and the key to achieving our vision of increasing early-detection of medical conditions that are discoverable by X-ray. Even if we are able to successfully implement our Sales Model and/or our Licensing Model, the sustainability of our general business plan depends substantially on the sustainability of our Subscription Model. We believe that effectively stimulating market interest in our Nanox System will require deploying 5,000 to 10,000 Nanox.ARC units. In addition, we estimate that a minimum installed base of at least 1,000 Nanox.ARC units will be needed to support our business during the initial deployment, assuming we enter into at least one licensing agreement on commercially reasonable terms. The success of our Subscription Model will also depend on each device, once deployed, performing a sufficient number of scans per day to be fully utilized. We may not be successful in achieving these goals for various reasons, including:

- the process of manufacturing and deploying the Nanox System is a complex, multi-step process that depends on factors outside our control, and could cause us to expend significant time and resources prior to earning associated revenues;
- the manufacturing cost of the Nanox.ARC may be higher than we expect, may increase significantly, or may increase at a higher rate than anticipated, and we may not be able to set or timely adjust our pay-per-scan pricing to compensate for any increased costs;
- the manufacturing of the Nanox.ARC may take longer than we expected, and we may have insufficient manufacturing capacity and experience delays in the manufacturing and deployment of the Nanox System, which would have a negative impact on the timing of our revenues;
- deployment and full utilization of the Nanox System may not be achieved or may take substantially longer than we expect, and we may not be able to deploy a sufficient number of units of the Nanox System to support our business or to effectively stimulate market interest;
- a Nanox System may perform fewer scans per day than our estimates due to a number of factors, including low market acceptance rate, technical failures and downtime, service disruptions, outages or other performance problems, which would have a negative impact on our revenues and our ability to recover costs;
- the implementation, integration and testing of the Nanox.CLOUD with our potential customers and collaborators can be complex, time-consuming and expensive for them, which may have a negative impact on the timing of our revenues;
- the inability or unwillingness of potential customers to invest in the required safety infrastructure, including customary X-ray shielding, to allow the Nanox.ARC to be safety operated;
- as part of the Subscription Model, we will be responsible for maintenance of the Nanox System units we deploy, which may be more costly and time-consuming than we expect;
- our customers may not be able to find or retain a sufficient number of radiologists to review the images generated by the Nanox System, especially as we deploy additional Nanox Systems and the volume of scans increases;
- the portion of our pay-per-scan pricing allocated to our collaborators may not be acceptable to them, either now or in the future, and pricing negotiations with such collaborators may be a complex and time-consuming process;
- the availability of insurance coverage and the level of reimbursement for the Nanox.ARC provided by third-party payors may not be sufficient for our customers;
- our pay-per-scan pricing may not be sufficient to recover our costs and may not be adjusted in a timely manner, which could negatively affect our revenues or cause our revenues and results of operations to vary significantly from period to period;
- we may be unsuccessful in maintaining our target price per scan because we do not control the price charged by local operators and higher prices may adversely affect market acceptance of the Nanox System; and
- regulatory authorities may challenge our Subscription Model altogether, and impose significant civil, criminal, and administrative penalties, damages, fines, and/or exclusion from government funded healthcare programs, which could adversely affect our revenues and results of operations.

Any of the above factors may negatively affect the implementation of our Subscription Model, or cause our Subscription Model to fail.

We may not be successful in tailoring our X-ray source to the specific systems of other medical imaging companies under our Licensing Model, and/or entering into licensing agreements on terms favorable to us.

Under our proposed Licensing Model, we expect to be engaged to tailor our X-ray source to other medical imaging companies' or manufacturers' of other X-ray devices specific systems to replace the legacy X-ray source or to license our X-ray source technology to them to develop new types of imaging systems, and we expect to receive a one-time, non-recurring licensing fee upfront, as well as recurring royalty payments for each imaging system sold by such companies. We expect customization to be a complex and multi-step process that varies for each project, which will require significant research and testing activities. We may also not be able to demonstrate the feasibility, functionality or safety of our technology in other medical imaging systems, meet the potential licensees' design and manufacturing requirements, or satisfy their marketing and product needs. In addition, we may not be successful in entering into licensing agreements with favorable terms as a result of a numbers of factors, many of which are outside of our control, including willingness of, and the resources available to, other medical imaging companies to in-license our novel X-ray source technology, our ability to agree with a potential partner on the value of our technology, or on the related terms, as well as the availability of other technologies at lower cost or other alternative technologies at the time. We have not entered into any licensing agreements to date. Any of the above factors may negatively affect the implementation of our Licensing Model, or cause our Licensing Model to fail.

To the extent that we license our X-ray source technology to other medical imaging companies, the products integrating our technology may need to be approved or cleared by the FDA or similar regulatory agencies.

The FDA or similar regulatory agencies may require products developed by other medical imaging companies under the Licensing Model to go through lengthier or more rigorous processes than we expected. These products may also be subject to regulations by governmental agencies in other jurisdictions, or regulation by other federal, state and local agencies. In addition, we may not have control with respect to any such further regulatory approval strategies or process. If such products do not receive, or are delayed in receiving, the necessary clearances or approvals, or if the performance of one or more clinical trials are required in connection with such clearances or approvals, the prospects of our Licensing Model may be materially affected, which could have a material adverse impact on our business and our revenues.

We recently completed the acquisitions of Nanox AI (formerly known as Zebra), USARAD and the assets of MDWEB. Our failure to successfully, and in a timely manner, integrate the acquired businesses and assets or any future acquisition and/or new lines of businesses could have an adverse effect on our business, financial condition and results of operations.

In November 2021, we completed the acquisitions of Nanox AI (formerly known as Zebra), a deep-learning machine analytics company, USARAD, a leading provider of teleradiology services, and the assets of MDWEB, a decentralized marketplace connecting imaging facilities with radiologists. We began to generate revenue in the year ended December 31, 2021 through the sale of teleradiology services and AI solutions, following the completion of these acquisitions. However, we may never realize the expected synergies, business opportunities and growth prospects in connection with these or any future acquisitions and/or joint ventures. We may not be able to capitalize on the expected business opportunities, assumptions underlying estimates of expected cost savings may be inaccurate or general industry and business conditions may deteriorate. In addition, integrating operations may require significant efforts and expense on our part. We are dependent on few key employees to operate these businesses. Personnel may leave or be terminated because of an acquisition. Our management may have its attention diverted while trying to integrate an acquisition. If these factors limit our ability to integrate the operations of these or any future acquisition successfully or on a timely basis, our expectations of future results of operations, including certain cost savings and synergies as a result of these or any future acquisition, may not be met. The failure to successfully manage these risks in the implementation of these recent or any future acquisition and any new lines of business could have a material, adverse effect on our business, financial condition and results of operations.

A pandemic, epidemic or outbreak of an infectious disease, such as COVID-19, may materially and adversely affect our business and our financial results and could cause a disruption to the development or deployment of the Nanox System.

Public health crises such as pandemics or similar outbreaks could adversely impact our business. Beginning in 2019, a novel strain of a virus named SARS-CoV-2 (severe acute respiratory syndrome coronavirus 2), or coronavirus, which causes COVID-19, has spread to most countries across the world, including Israel and all 50 states within the U.S. The COVID-19 pandemic is evolving, and to date has led to the implementation of various responses, including government-imposed quarantines, travel restrictions and other public health safety measures. The COVID-19 pandemic has adversely impacted our operations in various ways. For example, due to travel restrictions as a result of the COVID-19 pandemic, our engineers had limited ability to make work-related trips to Korea or Israel to test and optimize the Nanox.ARC and to begin MEMs X-ray chip manufacturing in Korea. Our potential business partners also had limited ability to make on-site visits to our facilities or attend industry conferences and meetings in person to experience the Nanox.ARC, which has negatively impacted our business development and deployment activities. Due, in part, to travel restrictions as a result of the COVID-19 pandemic, we decided to manufacture the first Nanox.ARC units in Israel on a purchase order basis from Dagesh that we expect will be used for the acceptance tests under our MSaaS agreements, demonstrations, regulatory approvals and for the initial global deployment, among other purposes. The external labs we work with have been affected by COVID-19, resulting in delays in our timeline for obtaining regulatory clearance and approval. Our FDA and other regulatory approvals and clearances have been delayed due to prioritization of vaccines for COVID-19. COVID-19 has also caused shutdowns or disruptions of business for our manufacturers and suppliers.

The extent to which the COVID-19 pandemic impacts our operations or those of our third-party partners will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the pandemic, new information that will emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, further mutations or related variants of the virus (or even the threat or perception that this could occur), among others. In addition, if any treatment or vaccine for COVID-19 is ineffective or underutilized, any impact on our business may be prolonged. The continued spread of COVID-19 globally could adversely impact our development, manufacture or deployment of the Nanox System, which could adversely affect our ability to obtain regulatory clearance and approval for and to commercialize the Nanox System, increase our operating expenses and have a material adverse effect on our financial results.

These and other factors arising from the COVID-19 pandemic could worsen in countries that are afflicted with the coronavirus. Any of these factors, and other factors related to any such disruptions that are unforeseen, could have a material adverse effect on our business and our results of operations and financial condition. Further, uncertainty around these and related issues could lead to adverse effects on the economy of the United States and other economies, which could impact our ability to raise the necessary capital needed to develop and commercialize the Nanox System.

Our industry is highly competitive and is subject to technological change, which may result in new products or solutions that are superior to our technology or other future products we may bring to market from time to time. If we are unable to anticipate or keep pace with changes in the marketplace and the direction of technological innovation and customer demands, our technology may become less useful or obsolete and our operating results will suffer.

The medical imaging industry is rapidly evolving and subject to intense and increasing competition. To compete successfully and to be able to establish and maintain a competitive position in current and future technologies, we will need to demonstrate the advantages of our technology over well-established alternative solutions, products and technologies, such as computed tomography ("CT"), as well as newer methods of medical imaging and early detection. We believe that effectively stimulating market interest for the Nanox System will require deploying 5,000 to 10,000 Nanox.ARC units. To achieve this, we will need to raise or develop financial resources, technical expertise, marketing, distribution or support capabilities and we may not be successful in doing so.

Also, companies offering traditional medical imaging systems, such as General Electric, Siemens, Philips, Hologic, Varian, Fuji, Toshiba and Hitachi, may be better established in the market than we are, have greater corporate, financial, operational, sales and marketing resources than we do, or have more experience in research and development than we have. In particular, the field emission technology has been used by a wide range of leading market players in an attempt to create an alternative digital source of X-ray, the most well-known attempt being the use of carbon nano tubes as the base materials for a potential field emission-based solution. In addition, early-detection technologies developed by other companies, such as blood testing and DNA screening, may also reduce the attractiveness of our technology for early detection or render it obsolete. Successful developments of these or other technologies by competitors resulting in new approaches for medical imaging, including technologies, products or services that are more effective or commercially attractive, could make our technology less useful or obsolete. We may also face opposition from certain industry leaders, who may have political influence and the ability to delay deployment of the Nanox System in certain geographical areas.

Furthermore, as the market expands, we expect the entry of additional competitors, such as cloud computing companies or leading IT companies, who may have longer operating histories, more extensive international operations, greater name recognition, and/or substantially greater technical, marketing and financial resources.

Our competitive position also depends on our ability to:

- generate widespread awareness, acceptance and adoption of our technology and future products or services;
- develop new or enhanced technologies or features that improve the convenience, efficiency, safety or perceived safety, and productivity of our technology and future products or services;
- properly identify customer needs and deliver new products or services or product enhancements to address those needs;
- limit the time required from prototype development to commercial production;
- limit the timing and cost of regulatory approvals;
- attract and retain qualified personnel and collaborators;
- protect our inventions with patents or otherwise develop proprietary products and processes; and
- secure sufficient capital resources to expand both our continued research and development, and sales and marketing efforts.

With respect to our AI imaging solutions, there are a number of companies that currently offer AI radiology solutions, such as Aidoc and VIZ.AI, which, to our knowledge, focus on life threatening and urgent cases. In addition, legacy healthcare technology companies are expected in the future to increase development efforts in the field of AI imaging solutions. For example, Siemens Healthineers has developed AI-Rad Companion, which provides automatic post-processing of imaging datasets through AI-powered algorithms for Siemens CTs. The AI medical imaging market is new and competition from new market players may develop in the next few years.

With respect to our teleradiology services, the teleradiology market is highly competitive, rapidly evolving and fragmented, and is subject to changing technology and market dynamics. The market has recently experienced and is expected to continue to experience competitive pricing pressure and radiologist compensation pressure. We compete directly with both large and small-scale service providers who offer local, regional and national coverage operations. We believe that our principal competitors are Envision Physician Services and Radiology Partners. We compete to attract and retain relationships with customers and radiologists in different ways.

If our technology is not, or our future products or services are not, competitive based on these or other factors, our business would be harmed.

We expect to depend on third parties to manufacture the Nanox.ARC and to supply certain component parts. Our reliance on third-party manufacturers and suppliers involves certain risks that may result in, among others, increased costs, quality or compliance issues, or failure to timely manufacture the Nanox.ARC, any of which could materially harm our business.

If cleared, we expect to rely on third-party manufacturers and suppliers for the commercial production of the multi-source Nanox.ARC. We are currently evaluating and testing glass-based and ceramics-based X-ray tubes to determine which tubes will be used in the Nanox.ARC. Once a determination is made, we intend to enter into agreements with third-party manufacturers for such tubes based on, among other things, cost effectiveness. In May 2020, we entered into a three-year contract manufacturing agreement with FoxSemicon Integrated Technology, Inc., a subsidiary of Foxconn ("FITI") to manufacture the multi-source Nanox.ARC. Under the contract manufacturing agreement with FITI, FITI will negotiate and contract with other parties for the supply of the various other components of the Nanox.ARC in accordance with the pre-approved supplier list and on the terms to be agreed upon by both parties.

However, due, in part, to travel restrictions as a result of the COVID-19 pandemic, we decided to manufacture the first Nanox.ARC units in Israel and we engaged Dagesh to manufacture Nanox.ARC units in Israel on a purchase order basis that we expect will be used for the acceptance tests under our MSaaS agreements, demonstrations, regulatory approvals and for the initial global deployment, among other purposes. Although we expect to formalize our arrangement in writing, we have not yet done so, and we may not establish a formal agreement or be able to enforce the obligations under such arrangements. As we further expand our business in connection with the commercialization of our technology, we expect to seek to engage several manufacturers of the Nanox.ARC. If any of our manufacturers or suppliers breach their agreements, are unable to meet their contractual or quality requirements, or become unwilling to perform for any reason, we may be unable, or may be unable in a timely manner, to locate alternative acceptable manufacturers or suppliers and enter into favorable agreements with them.

Our dependence on third-party manufacturers and suppliers involves a number of risks, including:

- insufficient capacity or delays in meeting our demand;
- inadequate manufacturing yields, inferior quality and excessive costs;
- inability to manufacture products that meet the agreed upon specifications;
- inability to obtain an adequate supply of materials;
- inability to comply with the relevant regulatory requirements for the manufacturing process;
- limited warranties on products supplied to us;
- inability or failure to comply with our contractual obligations;
- potential increases in prices; and
- increased exposure to potential misappropriation of our intellectual property.

We recently commenced the manufacture of the MEMs X-ray chips at our new fabrication facility in Korea, which is expected to meet our currently anticipated needs. However, we may not be successful in mass production of the MEMs X-ray chips at the facility or have sufficient capacity to manufacture the MEMs X-ray chips as our business expands. In addition, we rely on third parties to supply the raw materials and certain component parts. Disruptions of our relationships with such suppliers could negatively impact our production for an extended period of time. Any inability to acquire sufficient quantities of any raw materials or components in a timely manner from these third-party suppliers could have a material negative impact on our business. We may need to enhance or redesign our MEMs X-ray chip to generate licensing revenue from it or for it to be functional for certain medical imaging applications.

In addition, if we change the manufacturer of a critical component of our products, we will be required to verify that the new manufacturer maintains facilities, procedures and operations that comply with our quality and applicable regulatory requirements, which could further impede our ability to manufacture our products in a timely manner.

Transitioning to a new supplier could be time-consuming and expensive, may result in interruptions in our operations and product delivery, could affect the performance specifications of our products or could require that we modify the design of those systems. If the change in manufacturer results in a significant change to any product, a new 510(k) clearance or approval from the FDA or similar international regulatory authorization may be necessary before we implement the change, which could cause substantial delays. The occurrence of any of these events could harm our ability to meet the demand for our products in a timely or cost-effective manner. See "—Risks Related to Government Regulation."

We may experience development or manufacturing problems and higher costs, or delays that could limit our revenue, if any, or increase our losses.

Developing manufacturing procedures for new products requires developing specific production processes for those products. Developing such processes could be time consuming, and any unexpected difficulty in doing so can delay the introduction of the Nanox.ARC. Moreover, difficulties associated with adapting our technology and product design to the proprietary process technology and design rules of outside manufacturers can lead to reduced yields. Since low yields may result from either design or process technology failures, yield problems may not be effectively determined or resolved until an actual product exists that can be analyzed and tested to identify process sensitivities relating to the design rules that are used. As a result, yield problems may not be identified until well into the production process, and resolution of yield problems may require cooperation between our manufacturers and us. This risk could be compounded by the offshore location of our manufacturers, increasing the effort and time required to identify, communicate and resolve manufacturing yield problems. Manufacturing defects that we do not discover during the manufacturing or testing process may lead to costly product recalls. These risks may lead to increased costs or delayed product delivery, which would harm our profitability and customer relationships. Furthermore, our, our manufacturers' or our suppliers' production processes and assembly methods may have to change to accommodate any significant, future expansion of our manufacturing capacity, which may increase the manufacturing costs, delay production of our products, reduce our product margin, require supplemental filings with the FDA or other regulatory authorities, any of which may adversely impact our business. If we are unable to keep up with demand for our products by successfully manufacturing and shipping our products in a timely manner, our revenue could be impaired, and market acceptance for our products could be adversely affected.

We may not be able to successfully execute our business models.

We are pursuing three simultaneous business models to maximize the commercial potential of our X-ray source technology, each of which requires significant time and resources, in particular, our primary business model, the Subscription Model. We are a company with limited operating history and we may not have the necessary resources, expertise and experience to successfully execute any of our business models on a global scale, such as obtaining the necessary approvals or clearances from the regulatory agencies of our target markets. Our ability to execute our models is dependent on a number of factors, including the ability of our senior management team to execute our models, our ability to engage local operators and integrators in different geographic regions, our ability to begin or maintain our pace of product development, manufacturing and commercialization, our ability to meet the changing needs of the medical imaging market, and the ability of our employees to perform at a high-level. If we are unable to execute our models, if our models do not drive the growth that we anticipate, or if our market opportunity is not as large as we have estimated, it could adversely affect our business and our prospects.

We have a limited operating history. If we successfully commercially launch the Nanox System, and it does not achieve widespread market acceptance, we will not be able to generate the revenue necessary to support our business.

We have a limited operating history and while we began the marketing of our AI solutions and teleradiology services following the recent acquisitions in November 2021, we have no history of marketing our X-ray source technology, the Nanox.ARC or the Nanox.CLOUD. We may fail to generate significant interest in our X-ray source technology or the Nanox System or the imaging products using our technology, or any other product we may develop. These and other factors, including the following, may affect the rate and level of market acceptance:

- effectiveness of the sales and marketing efforts of us, and our partners such as the local partners;
- perception by medical professionals and patients of the convenience, safety, efficiency and benefits of the Nanox System or products using our technology, compared to competing methods of medical imaging, such as the time and skill required to read the tomographic images produced by the Nanox.ARC and our X-ray source;
- opposition from certain industry leaders, which may limit our ability to promote the Nanox System and to penetrate into the medical imaging market in certain geographical areas;
- the existence of established medical imaging technology;
- willingness of market participants to accept the MSaaS model;
- the changing and volatile U.S. and global economic environments, including as a result of the COVID-19 pandemic, the military conflict between Russia and Ukraine, the global response to it and any negative impact on the global economy and capital markets resulting from the conflict or any other geopolitical tensions, or inflation;
- timing of market introduction of competing products, and the sales and marketing initiatives of such products;
- press and blog coverage, social media coverage, and other publicity and public relations factors by others;
- lack of financing or other resources to successfully develop and commercialize our technology and implement our business plan;
- the level of commitment and support that we receive from our partners, such as local operators, cloud storage providers and medical AI software providers, as well as medical professionals such as radiologists; and
- coverage determinations and reimbursement levels of third party payors.

If cleared or approved for marketing by the FDA or other regulatory agencies, depending on the approved clinical indication, the Nanox System will be competing with existing and future imaging products and similar offerings. The technology underlying our X-ray source and the Nanox System may be perceived as inferior or inaccurate and patients may be unwilling to undergo medical screening using the Nanox.ARC or other products using our technology. Moreover, patients and medical professionals may be unwilling to depart from the current medical imaging technology. Medical professionals tend to be slow to change their medical diagnostic practices because of perceived liability risks arising from the use of new technology or products, and they may not recommend medical imaging using the Nanox.ARC or other products using our technology until there is long-term clinical evidence to convince them to alter or modify their existing imaging methods. Our efforts to educate patients, radiologists and other members of the medical community on the benefits of our products require significant resources and may not be successful. Our efforts to educate the marketplace may require more resources than are required by conventional technologies marketed by our competitors. In particular, gaining market acceptance for our products in nascent markets, such as Africa, China, India, and certain countries in Latin America, could be challenging. Moreover, in the event that the Nanox System or other products using our technology are the subject of guidelines, clinical studies or scientific publications that are unfavorable or damaging, or otherwise call into question their benefits, we may have difficulty in convincing market participants to adopt our products. In addition, medical professionals, patients, providers of medical imaging services and third-party payors may not adopt or reimburse the use of the Nanox System in the near term or at all. If we are unable to achieve or maintain an adequate level of market acceptance, we may not generate significant revenue or become profitable and our business, financial condition, results of operations and prospects would be significantly harmed.

We plan to do business globally, including in certain countries where we might have limited resources and would be subject to additional regulatory burdens and other risks and uncertainties.

We expect to do business globally, including in North America and certain countries in Asia, Europe, Africa, Latin America and Australia. Commercialization of our X-ray source technology, the Nanox.ARC or the Nanox System in foreign markets, either directly or through third parties, is subject to additional risks and uncertainties, including:

- reimbursement and insurance coverage;
- our inability to find agencies, dealers or distributors in specific countries or regions;
- our inability to directly control commercial activities of third parties;
- limited resources to be deployed to a specific jurisdiction;
- the burden of complying with complex and changing regulatory, tax, accounting and legal requirements;
- different medical imaging practice and customs in foreign countries affecting acceptance in the marketplace;
- import or export licensing and other requirements;
- longer accounts receivable collection times;
- longer lead times for shipping;
- language barriers for technical training;
- reduced protection of intellectual property rights in some foreign countries;
- foreign currency exchange rate fluctuations; and
- interpretations of contractual provisions governed by foreign laws in the event of a contract dispute.

Specifically, we are subject to the U.S. Foreign Corrupt Practices Act of 1977, as amended, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the USA PATRIOT Act, the United Kingdom Bribery Act 2010, the Proceeds of Crime Act 2002, Chapter 9 (sub-chapter 5) of the Israeli Penal Law, 1977, the Israeli Prohibition on Money Laundering Law–2000 and possibly other anti-bribery and anti-money laundering laws in countries outside of the United States in which we conduct our activities. As we engage finders to obtain MSaaS agreements in certain countries, we and our finders may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities. We may be held liable for the corrupt or other illegal activities of these third-party business partners and intermediaries, our employees, representatives, contractors, partners and agents, even if we do not explicitly authorize such activities. As we expand our international business, our risks under these laws may increase.

We also may sell the Nanox.ARC, the Nanox.CLOUD or the Nanox System to government entities, which are subject to a number of challenges and risks. Any actual or perceived privacy, data protection, or data security incident, or even any perceived defect with regard to our practices or measures in these areas, may negatively impact public sector demand for our products. Government entities may also have statutory, contractual or other legal rights to terminate contracts with us for convenience or due to a default, and any such termination may adversely affect our future results of operations. Governments routinely investigate and audit government contractors' administrative processes, and any unfavorable audit could result in the government refusing to continue buying our subscriptions, a reduction of revenue, or fines or civil or criminal liability if the audit uncovers improper or illegal activities. In addition, sales of the Nanox.ARC, the Nanox.CLOUD or the Nanox System in foreign markets could also be adversely affected by the imposition of governmental controls, political and economic instability, war, conflicts, civil unrest and other hostilities, trade restrictions and changes in tariffs, any of which may adversely affect our business, financial condition, results of operations and prospects.

Because the Nanox System is still in the development stage, it is not yet approved for third-party payor coverage or reimbursement. If in the future we are approved for and are otherwise able to commercialize it, but are unable to obtain adequate reimbursement or insurance coverage from third-party payors, we may not be able to generate significant revenue, in which case we may need to obtain additional financing.

Because the Nanox System is still in the development stage, it is not yet approved for third-party payor coverage or reimbursement. Coding and coverage determinations as well as reimbursement levels and conditions are important to the commercial success of an imaging product or offering. The future availability of insurance coverage and reimbursement for newly approved medical devices is highly uncertain, and our future business will be greatly impacted by the level of reimbursement provided by third-party payors. In the United States, third-party payors decide which imaging products and services they will cover, how much they will pay and whether they will continue reimbursement. Third-party payors may not cover or provide adequate reimbursement for the Nanox System or the imaging services using the Nanox System, assuming we are able to fully develop and obtain all regulatory approvals and clearances to market it in the United States or other geographies. To date, we have not had any discussions with any third-party payors, including any regulatory agencies administering any government funded healthcare programs, regarding the coding, coverage or reimbursement for imaging services using the Nanox System. Accordingly, unless government and other third-party payors provide coverage and reimbursement for our services, patients and healthcare providers may choose not to use them, which would cause investors to lose their entire investment. A primary trend in the United States healthcare industry and elsewhere is cost containment. Government authorities and other third-party payors have attempted to control costs by limiting coverage and the amount of reimbursement for particular products and services. Reimbursement may not be available, or continue to be available, for the Nanox System or the imaging services using the Nanox System, other products or systems using our X-ray source technology, our AI solutions, teleradiology services, the Nanox.MARKETPLACE or any other products or services we may develop or offer in the future, or even if reimbursement is available, such reimbursement may not be adequate. We also will be subject to foreign reimbursement policies in the international markets we expect to enter. Decisions by health insurers or other third-party payors in these markets not to cover, or to discontinue reimbursing, our products could materially and adversely affect our business. If such decisions are made, they could also have a negative impact on our ability to generate revenues, in which case we may need to obtain additional financing.

Recent changes in the United States related to payment policies for imaging procedures could have a negative impact on the utilization of our imaging services.

In the United States, over the past several years, the Centers for Medicare & Medicaid Services ("CMS"), the federal agency responsible for administering the Medicare program, has implemented numerous changes to payment policies for imaging procedures in both the hospital setting and non-hospital settings, which include physician offices and freestanding imaging facilities. Some of these changes have had a negative impact on utilization of imaging services. Examples of these changes include:

- limiting payments for imaging services in physician offices and free-standing imaging facility settings based upon rates paid to hospital outpatient departments;
- reducing payments for certain imaging procedures when performed together with other imaging procedures in the same family of procedures on the same patient on the same day in the physician office and free-standing imaging facility setting;
- making significant revisions to the methodology for determining the practice expense component of the Medicare payment applicable to the physician office and free-standing imaging facility setting which results in a reduction in payment; and
- revising payment policies and reducing payment amounts for imaging procedures performed in the hospital outpatient setting.

We also expect increased regulation and oversight of advanced diagnostic testing. One provision in the Protecting Access to Medicare Act requires CMS to develop appropriate use criteria ("AUC") that professionals must consult when ordering advanced diagnostic imaging services (which include magnetic resonance imaging ("MRI"), CT, nuclear medicine (including position emission tomography) and other advanced diagnostic imaging services that the Secretary of the Department of Health and Human Services ("HHS") may specify). Under this provision, payment is to be made to the furnishing professional for an applicable advanced diagnostic imaging service only if the claim indicates that the ordering professional consulted a qualified clinical decision support mechanism, as identified by HHS, as to whether the ordered service adheres to the applicable AUC. To the extent that these types of changes have the effect of reducing the aggregate number of diagnostic medical imaging procedures performed in the United States, our business, results of operations, financial condition and cash flows would be adversely affected. Currently, the payment penalty phase for the AUC program is scheduled to begin on the later of January 1, 2023 or the January 1 that follows the declared end of the public health emergency for COVID-19.

Billing complexities associated with obtaining payment or reimbursement may negatively affect our revenue, cash flow and profitability.

Payment for our imaging-based offerings is, and is expected to be, provided by individual patients and from a variety of payors, such as commercial insurance carriers, managed care organizations and governmental programs. Each payor typically has different billing requirements, and the billing requirements of many payors have become increasingly stringent.

Among the factors complicating our customers' ability to bill and receive reimbursement from third-party payors are:

- disputes among payors as to which party is responsible for payment;
- disparity in coverage among various payors;
- disparity in information and billing requirements among payors; and
- incorrect or missing billing information, which is required to be provided by the ordering physician.

In addition, we may be required to seek new billing codes for imaging services using the Nanox System or any other imaging-based offering that we may provide, and regulatory authorities may not approve the creation of separate codes. Additionally, even if we are successful, existing or future billing codes or the payment amounts associated with such codes may change in the future.

These billing complexities, and the related uncertainty in obtaining payment for our imaging-based offerings, could negatively affect our revenue, cash flow and profitability.

Any collaborative and MSaaS arrangements that we have established or may establish in the future may not be successful or we may otherwise not realize the anticipated benefits from these collaborations. We do not control third parties with whom we have or may have collaborative or MSaaS arrangements, and we will rely on them to achieve results which may be significant to us. In addition, any current or future collaborative and MSaaS arrangements may place the development and commercialization of our technology outside our control, may require us to relinquish important rights or may otherwise be on terms unfavorable to us.

We have entered into certain, and expect to enter into additional, collaborative arrangements and MSaaS agreements with respect to the research, development, manufacture and commercialization of our technology with different relevant industry participants, including, among others, local operators, integrators, radiologists, cloud storage providers and medical AI software providers and third-party payors. See "Item 4. Information on the Company—B. Business Overview— MSaaS Agreements." Any future potential collaborative or MSaaS arrangements may require us to rely on external consultants, advisors and experts for assistance in several key functions, including research and development, manufacturing, regulatory, intellectual property, commercialization and distribution. We cannot and will not control these third parties, but we may rely on them to achieve results, which may be significant to us. Relying upon these collaborative arrangements subjects us to a number of risks, including:

- we may not be able to control the amount and timing of resources that our collaborators may devote to our technology;
- should a collaborator fail to comply with applicable laws, rules or regulations when performing services for us, we could be held liable for such violations;
- our collaborators may have a shortage of qualified personnel, particularly radiologists who can review the medical images generated by the Nanox System, especially as we deploy additional Nanox Systems and the volume of scans increases;
- we may be required to relinquish important rights, such as marketing and distribution rights;
- business combinations or significant changes in a collaborator's business strategy may adversely affect a collaborator's willingness or ability to complete its obligations under any arrangement;
- our collaborators may default on their payments to us or fail to deliver standby letters of credit or financial guarantees, and it may be time consuming and difficult to enforce such payment obligations and obligations to provide standby letters of credit and financial guarantees in various jurisdictions, and we may be unsuccessful in enforcing such obligations;
- our collaborative arrangements are subject to conditionality, including receipt of regulatory clearance and material compliance with acceptance test protocol, among other things, for the Nanox.ARC;
- under certain circumstances, a collaborator could move forward with a competing product developed either independently or in collaboration with others, including our competitors;
- our current or future collaborators may utilize our proprietary information in a way that could expose us to competitive harm;
- our collaborators could obtain ownership or other control over intellectual property that is material to our business; and
- collaborative arrangements are often terminated or allowed to expire or remain unformalized by a written agreement, which could delay the ability to commercialize our technology.

In addition, if disputes arise between us and any of our collaborators, it could result in the delay or termination of the development, manufacturing or commercialization of products containing our technology, lead to protracted and costly legal proceedings, or cause collaborators to act in their own interest, which may not be in our interest. As a result, the collaborative arrangements that we may enter into, may not achieve their intended goals.

If any of these scenarios materialize, they could have a material adverse effect on our business, financial condition, results of operations and prospects.

We also may have other future products where it is desirable or essential to enter into agreements with a collaborator who has greater financial resources or different expertise than us, but for which we are unable to find an appropriate collaborator or are unable to do so on favorable terms. If we fail to enter into such collaborative agreements on favorable terms, it could materially delay or impair our ability to develop and commercialize, and increase the costs of development and commercialization of, our technology.

We could become subject to product liability claims, product recalls, warranty claims and professional malpractice liability claims that could be expensive, divert management's attention and harm our business reputation and financial results.

Our business exposes us to potential liability risks that are inherent in the marketing and sale of products used in patient care. We may be held liable if the Nanox System or if any other product that integrates our X-ray source technology causes injury or death or is found otherwise unsuitable during usage. The Nanox System currently under development incorporates sophisticated components and computer software. Complex software can contain errors, particularly when first introduced. In addition, new products or enhancements may contain undetected errors or performance problems that, despite testing, are discovered only after installation. Patients could allege or possibly prove defects of our products or other products that integrate our technology.

A product liability claim, regardless of its merit or eventual outcome, could result in significant legal defense costs and divert management's attention. Regardless of merit or eventual outcome, liability claims may result in:

- decreased demand for the Nanox System;
- injury to our reputation;
- costs of related litigation;
- substantial monetary awards to patients and others;
- loss of revenue; and
- the inability to commercialize future products.

In addition, we may be subject to professional liability claims, including, without limitation, for improper use or malfunction of our diagnostic imaging software.

Further, the radiologists that provide our teleradiology services may occasionally subject us to malpractice claims. Claims, suits or complaints relating to services provided by these radiologists may be asserted against us in the future.

Any of these outcomes may have an adverse effect on our business, financial condition and results of operations, and may increase the volatility of our share price.

The coverage limits of our insurance policies we may choose to purchase to cover related risks may not be sufficient to cover future claims. If sales of the Nanox System or other products integrating our technology increase or we suffer future product liability claims or malpractice claims, we may be unable to maintain product liability insurance or malpractice insurance at satisfactory rates or with adequate amounts or at all. A product liability claim, any product recalls or excessive warranty claims, whether arising from defects in design or manufacture or otherwise, could negatively affect our sales or require a change in the design or manufacturing process, any of which could harm our relationship with our customers and partners, and have a material adverse impact on our reputation and business, financial condition, results of operations and prospects.

In addition, if the Nanox System or other products integrating our technology are defective, we, our future customers or partners may be required to notify regulatory authorities and/or to recall the products. See "—Risks Related to Government Regulation—Our products may cause or contribute to adverse medical events or be subject to failures or malfunctions that we are required to report to the FDA, and if we fail to do so, we would be subject to sanctions that could harm our reputation, business, financial condition and results of operations. The discovery of serious safety issues with our products, or a recall of our products either voluntarily or at the direction of the FDA or another governmental authority, could have a negative impact on us." Any recall would divert management's attention and financial resources and harm our reputation with customers, patients, medical professionals and third-party payors. A recall involving the Nanox System would be particularly harmful to our business. The adverse publicity resulting from any of these actions could adversely affect the perception of our customers or partners. These investigations or recalls, especially if accompanied by unfavorable publicity, could result in our incurring substantial costs, losing revenues and damaging our reputation, each of which would harm our business, financial condition, results of operations and prospects.

We are highly dependent on key members of our executive management team. Our inability to retain these individuals could impede our business plan and growth strategies, which could have a negative impact on our business and the value of your investment.

Our ability to implement our business plan depends on the continued services of key members of our senior management. In particular, and to a critical extent, we are dependent on the continued efforts and services of the members of management named under "Item 6. Directors, Senior Management and Employees." If we lose the services of such key members of our management team, we would likely be forced to expend significant time and money in the pursuit of replacement individuals, which may result in a delay in the implementation of our business plan and plan of operations. We may not be able to find satisfactory replacements on terms that would not be unduly expensive or burdensome to us. We do not currently carry a key-man life insurance policy that would assist us in recouping our costs in the event of the death or disability of a member of our management team. The loss of members of our management team, or our inability to attract or retain other qualified individuals, could have a material adverse effect on our business, results of operations and financial condition.

The mishandling or the perceived mishandling of sensitive information, or the occurrence of data security breaches, could harm our business.

We expect that our business operations will enable us to accumulate a significant amount of highly sensitive and/or confidential information, including medical images and other medical and personal information. While employee contracts generally contain standard confidentiality provisions, our employees, customers or collaborators may not properly handle or process sensitive or confidential data. The improper handling of sensitive or confidential data, or even the perception of such mishandling (whether or not valid), or other security lapses by us, our customers or collaborators, could reduce demand for our offerings or otherwise expose us to financial or reputational harm or legal liability.

In addition, any security breach, including personal data breaches, or incident, including cybersecurity incidents, that we experience could result in unauthorized access to, misuse of, or unauthorized acquisition of the sensitive or confidential information and data (including medical information), the loss, corruption, or alteration of this data, interruptions in our operations, or damage to our systems. Any such incidents could expose us to claims, litigation, regulatory or other governmental investigations, administrative fines and potential liability. An increasing number of digital platforms have disclosed breaches of their security, some of which have involved sophisticated and highly targeted attacks on portions of their services. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and often are not foreseeable or recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. If an actual or perceived breach of our security occurs, public perception of the effectiveness of our security measures and brand could be harmed and our results of operations could be negatively affected. Data security breaches and other incidents may also result from non-technical means (e.g., actions by employees or contractors). Any compromise of our security could result in a violation of applicable security, privacy or data protection, consumer and other laws, regulatory or other governmental investigations, enforcement actions, and legal and financial exposure, including potential contractual liability. Any such compromise could also result in damage to our reputation and a loss of confidence in our security and privacy or data protection measures. Any of these effects could materially and adversely affect our business, financial condition and results of operations.

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

Our ability to execute our business strategy depends, in part, on the continued and uninterrupted performance of our information technology systems, which support our operations. Despite the implementation of security measures, our internal computer systems, and those of third parties on which we rely, are vulnerable to damage from, among others, computer viruses, malware, natural disasters, terrorism, war, telecommunication and electrical failures, cyber-attacks or cyber-intrusions over the internet, attachments to emails, persons inside our organization, or persons with access to systems inside our organization or similar disruptive problems. The risk of a security breach or disruption, particularly through cyber-attacks or cyber intrusion, including by computer hackers, foreign governments, and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. If such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our product development programs. Any such security breach may compromise information stored on our networks and may result in significant data losses or theft of personally identifiable information. A cybersecurity breach could also hurt our reputation by adversely affecting the patients' perception of the security of their information. A number of proposed and enacted federal, state and international laws and regulations obligate companies to notify individuals of security breaches involving particular personally identifiable information, which could result from breaches experienced by us or by third parties, including collaborators, vendors, contractors or other organizations with which we expect to form strategic relationships. In addition, a cybersecurity attack could result in other negative consequences, including disruption of our internal operations, increased cyber security protection costs, lost revenue, regulatory actions or litigations.

Our ability to generate revenue from our teleradiology services and AI solutions, as well as the other imaging offerings that we are developing, will depend in large part on referrals from physicians.

We will depend on referrals of patients from unaffiliated physicians and other third parties who have no contractual obligations to refer patients to us for our teleradiology services and AI solutions, as well as the other imaging offerings that we are developing. If these physicians and other third parties do not refer patients to us, our ability to generate revenue from our teleradiology services and AI solutions, as well as the other imaging offerings that we are developing would be adversely affected. Further, we currently derive substantially all of our revenue from our teleradiology services from fees charged for the diagnostic imaging services performed by radiologists. If physicians and other third parties were to discontinue referring patients to our radiologists, our revenue from our teleradiology services would decrease and our financial results could be adversely affected.

If we lose a significant number of our radiologists, our revenue from our teleradiology services and financial results could be adversely affected.

There is a shortage of qualified radiologists in some of the regional markets that we serve. In addition, competition in recruiting radiologists may make it difficult for us to maintain adequate levels of radiologists. If a significant number of radiologists terminate their relationships with us and we cannot recruit sufficient qualified radiologists, our ability to generate revenue from teleradiology services and our financial results could be adversely affected.

Exchange rate fluctuations between the U.S. dollar, the New Israeli Shekel and the KRW and inflation may negatively affect our results of operations, and we may not be able to hedge our currency exchange risks successfully.

The U.S. dollar is our functional and reporting currency. However, a portion of our operating expenses, including personnel and facilities related expenses, are incurred in NIS and KRW. As a result, we are exposed to the risks that the NIS and KRW may appreciate relative to the U.S. dollar, or, if the NIS and KRW instead devalues relative to the U.S. dollar, that the inflation rate in Israel or Korea may exceed such rate of devaluation of the NIS or KRW, or that the timing of such devaluation may lag behind inflation in Israel or Korea. In any such event, the dollar cost of our operations in Israel or Korea would increase and our dollar-denominated results of operations would be adversely affected. Given our general lack of currency hedging arrangements to protect us from fluctuations in the exchange rates of the NIS and KRW and other foreign currencies in relation to the U.S. dollar (and/or from inflation of such foreign currencies), we may be exposed to adverse effects from such movements. Our exchange rate exposure may change over time as our business evolves and could result in increased costs or reduced revenue and could affect our actual cash flow. Changes in the relative values of currencies occur regularly and, in some instances, may have a significant impact on our operating results. The rate of inflation in Israel or Korea or in currency exchange rates may materially change and we might not be able to effectively mitigate these risks.

We are currently subject to securities class-action litigation and an SEC inquiry and may be subject to similar or other claims, litigation and investigations in the future, all of which will require significant management attention, could result in significant legal expenses and may result in unfavorable outcomes, all or any of which could have a material adverse impact on our financial condition and results of operations, harm our reputation or otherwise negatively impact our business.

We are, and may in the future become, subject to litigation or claims arising in or outside the ordinary course of business that could negatively affect our business operations and financial condition, including securities class actions and shareholder derivative actions, both of which are typically expensive to defend. Such claims and litigation proceedings may be brought by third parties, including our customers, competitors, advisors, service providers, partners or collaborators, employees, and governmental or regulatory bodies. For example, we currently have two securities class-action complaints pending against us and certain current officers and a director, asserting violations of federal securities laws and seeking unspecified damages. We believe these lawsuits are without merit and intend to defend this case vigorously. In addition, the Division of Enforcement of the SEC is conducting an investigation to determine whether there had been any violations of the federal securities laws, and the duration and outcome of this matter cannot be predicted at this time. See “Item 4. Information on the Company—B. Business Overview—Legal Proceedings.”

The outcome of any litigation and SEC inquiry, regardless of its merits, is inherently uncertain and may differ substantially from our expectations. Any claims and lawsuits, and the disposition of such claims and lawsuits, or SEC inquiry could be time-consuming and expensive to resolve, divert management attention and resources, and lead to attempts on the part of other parties to pursue similar claims. We may not be able to determine the amount of any potential losses and other costs we may incur due to the inherent uncertainties of litigation and settlement negotiations. In the event we are required or decide to pay amounts in connection with any claims, lawsuits or SEC inquiry, such amounts could be significant and could have a material adverse impact on our liquidity, business, financial condition and results of operations. In addition, depending on the nature and timing of any such dispute, a resolution of a legal matter could materially affect our future operating results, our cash flows or both.

If significant tariffs or other restrictions related to "trade wars" are placed on Chinese imports or any related counter-measures are taken by China, our revenue and results of operations may be materially harmed.

The Nanox.ARC production process is expected to involve manufacturers and/or suppliers in China for the production of certain components of the Nanox.ARC. If significant tariffs or other restrictions are placed by the United States government on Chinese imports or any related counter-measures are taken by China, our business, financial condition and results of operations may be materially harmed. Throughout 2018 and 2019, former President Trump called for substantial changes to foreign trade policy with China and raised, and proposed to further raise in the future, tariffs on several Chinese goods in order to reverse what he perceived as unfair trade practices that have negatively impacted U.S. businesses. The announcement of such tariffs has triggered retaliatory actions from foreign governments, including China, and may trigger retaliatory actions by other foreign governments, resulting in a "trade war." On January 15, 2020, the United States and China signed the Phase One Deal, which took effect on February 14, 2020, agreeing to the rollback of tariffs, expansion of trade purchases and renewed commitments on intellectual property, technology transfer and currency practices deescalating the trade war. U.S. President Biden has stated that there are no immediate plans to cancel the Phase One Deal, but the administration is expected to make changes to the U.S.-China tariff policies. If any forms of duties or tariffs are imposed on the Nanox.ARC or its components, we may be required to charge higher prices in the United States than we expect, which may result in fewer customers and harm our operating performance. Alternatively, we or our contractors may seek manufacturers and/or suppliers outside of China, resulting in significant costs and disruption to our operations and business. Our business could also be impacted by retaliatory trade measures taken by China or other countries in response to existing or future tariffs, causing us to raise prices or make changes to our operations, any of which could materially harm our business, financial condition and results of operations.

Our business may be impacted by changes in general economic conditions.

Our business is subject to risks arising from changes in domestic and global economic conditions, including adverse economic conditions in markets in which we operate, which may harm our business. For example, the current COVID-19 pandemic has caused significant volatility and uncertainty in U.S. and international markets.

If our future customers significantly reduce spending in areas in which our technology and products are utilized, or prioritize other expenditures over our technology and products, our business, financial condition, results of operations and prospects would be materially adversely affected.

Disruption to the global economy could also result in a number of follow-on effects on our business, including a possible slow-down resulting from lower customer expenditures; inability of customers to pay for products, solutions or services on time, if at all; an increase in the amount of accounts receivable we are required to write off; more restrictive export regulations which could limit our potential customer base; negative impact on our liquidity, financial condition and share price, which may impact our ability to raise capital in the market, obtain financing and secure other sources of funding in the future on terms favorable to us.

In addition, the occurrence of catastrophic events, such as hurricanes, storms, earthquakes, tsunamis, floods, medical epidemics and other catastrophes that adversely affect the business climate in any of our markets could have a material adverse effect on our business, financial condition and results of operations. Some of our operations are located in areas that have been in the past, and may be in the future, susceptible to such occurrences.

Our business, financial condition and results of operations may be materially adversely affected by any negative impact on the global economy and capital markets resulting from the conflict in Ukraine or any other geopolitical tensions.

U.S. and global markets are experiencing volatility and disruption following the escalation of geopolitical tensions and the military conflict between Russia and Ukraine. On February 24, 2022, a full-scale military invasion of Ukraine by Russian troops was reported. Although the length and impact of the ongoing military conflict is highly unpredictable, the ongoing conflict in Ukraine have led, and could lead, to market disruptions, including significant volatility in commodity prices, credit and capital markets. As a result, sanctions and penalties have been levied by the United States, European Union and other countries against Russia. Russian military actions and the resulting sanctions could have a negative impact on supply chains, our MSaaS agreements relating to Russia and Belarus or the region and adversely affect the global economy and financial markets. Any of the abovementioned factors could affect our business, prospects, financial condition and operating results. The extent and duration of the military action, sanctions and resulting market disruptions are impossible to predict, but could be substantial. Any such disruptions may also magnify the impact of other risks described in this Annual Report on Form 20-F.

We do not expect to carry any business interruption insurance or any other insurance (except for director and officer, property, product liability, malpractice and clinical trials insurance). As a result, we may incur uninsured losses, increasing the possibility that you would lose your entire investment in our company.

Our products and services are in the medical imaging field and so may be subject to claims. We are not immune from product liability or other product claim risks, and we may not be able to maintain insurance on acceptable terms against such risks or that such insurance will be sufficient to protect us against potential claims or that insurance will be available in the future in amounts sufficient to protect us. A product liability claim, malpractice or other claim, as well as any claims for uninsured liabilities or in excess of insured liabilities, could have a material adverse effect on our business, financial condition, results of operations and prospects.

Certain of our directors and/or officers may have interests that compete with ours.

Certain of our directors currently own, operate and manage other entities, which may have similar or different objectives than ours. Such activities could detract from the time these people have to allocate to our affairs. We lease office space to an entity of which Ran Poliakine, the chairman of our board of directors, serves as a member of senior management, Richard Stone, a director, serves as a director and Anat Kaphan, our Chief Innovation Officer, serves as a consultant. Each of Ran Poliakine and Richard Stone is also a significant shareholder in such entity. See "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Agreements with Directors and Officers—Relationship with Illumigyn Ltd." Additionally, we lease office space to an entity of which each of Ran Poliakine and Richard Stone is a shareholder of its parent company. See "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Agreements With Directors and Officers—Relationship with Wellsense Technologies, Ltd." The terms of such agreements may not be as favorable to us as those that could be obtained from a third party. Moreover, certain of our directors and officers are affiliated with our current shareholders, and may have different interests than other shareholders. For additional information regarding related party transactions and potential conflicts of interest, see "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions." Under the Israeli Companies Law, 5759-1999 (the "Companies Law"), office holders must promptly disclose to us any direct or indirect personal interest (within the meaning of the Companies Law) that he or she may have and all related material information or documents known to him or her relating to any existing or proposed transaction by us. In addition, we have adopted a code of ethics and conduct that requires our employees, officers and directors to disclose any situation that reasonably would be expected to give rise to a conflict of interest.

Our management team has limited experience managing a public company.

Most members of our management team have limited experience managing a publicly traded company, interacting with public company investors and complying with the increasingly complex laws pertaining to public companies in the United States. Our management team may not successfully or efficiently manage our operations a public company subject to significant regulatory oversight and reporting obligations under the U.S. federal securities laws and the continuous scrutiny of securities analysts and investors. These obligations and constituents require significant attention from our senior management and could divert their attention away from the day-to-day management of our business, which could adversely affect our business, financial condition, results of operations and prospects.

Risks Related to Our Intellectual Property

It is difficult and costly to protect our intellectual property and our proprietary technologies, and we may not be able to ensure their protection.

We rely upon a combination of patents and trade secrets to protect the intellectual property related to our proprietary technologies. Our success depends significantly on our ability to obtain and maintain intellectual property protection with respect to our technology and products. Patents and other proprietary rights provide uncertain protections, and we may be unable to protect our intellectual property for reasons including those that result from complex factual and legal issues such as those that create uncertainty as to the validity, scope and enforceability of any particular patent that we hold or for which we have applied. As a result, we may be unsuccessful in defending our patents and other proprietary rights against third-party challenges, which could have a material adverse effect on our business.

Although we are attempting to obtain patent coverage for our technology where available and where we believe appropriate, there are aspects of the technology for which patent coverage may never be sought or received. Additionally, we have obtained, and may in the future obtain, certain intellectual property related to our technology from third parties, and we cannot be certain that such third parties took the necessary actions to maintain such rights or that the transfer of such rights to us was proper and effective. We may, as a result, be subject to claims challenging the ownership or enforceability of such rights. Furthermore, we may not possess the resources to, or for other reasons may not choose to, pursue patent protection on every invention or in any or every country where we may eventually decide to sell our future products. Our ability to prevent others from making or selling duplicate or similar technologies will be impaired for those technologies with respect to which, and in those countries where, we have no patent protection. In addition, there is no assurance that all potentially relevant prior art relating to our patents and patent applications has been found, which can prevent a patent from issuing from a pending patent application or later invalidate or narrow the scope of an issued patent. Even if patents do successfully issue and even if such patents cover our technology, third parties may challenge their validity, enforceability or scope, which may result in such patents being narrowed, invalidated, or held unenforceable. Any successful challenge to these patents or any other patents owned by or licensed to us could deprive us of rights necessary for the successful commercialization of our technology.

In addition, for patents that do issue based on our applications or future applications, any issued patents may not provide us with any competitive advantages. Competitors may be able to design around our patents and develop products that provide outcomes comparable or superior to ours. Any changes we make to our product or any future products, including designs that may be required for commercialization or that cause them to have what we view as more advantageous properties, may not be covered by patents and patent applications we have licensed or own, and we may be required to file new applications and/or seek other forms of protection for any such altered products if any such protection is available. In addition, the patent prosecution process is expensive, time-consuming and complicated, and we and our current or future licensors, licensees or collaborators may not be able to prepare, file, prosecute and maintain all necessary or desirable patents or patent applications at a reasonable cost or in a timely manner. It is also possible that we or our current or future licensors, licensees or collaborators will fail to identify patentable aspects of inventions before it is too late to obtain patent protection for them. In addition, if we choose to and are able to secure patent protection in countries outside the U.S., the laws of some foreign countries may not protect our intellectual property rights to the same extent as do the laws of the United States. For instance, the legal systems of some countries, including India, China and other developing countries, do not favor the enforcement of patents and other intellectual property rights. This could make it difficult for us to stop the infringement of our patents or the misappropriation of our other intellectual property rights.

Some countries also have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties. In addition, some countries limit the enforceability of patents against government agencies or government contractors. In these countries, the patent owner may have limited remedies, which could materially diminish the value of such patent. If we or any of our licensors is forced to grant a license to third parties with respect to any patents relevant to our business, our competitive position may be impaired.

Changes in either the patent laws or their interpretation in the United States and other countries may diminish our ability to protect our inventions and enforce our intellectual property rights, and more generally could affect the value of our intellectual property. Our efforts to seek patent protection for our technology could be negatively impacted by any such changes, which could have a material adverse effect on our existing patent rights and our ability to protect and enforce our intellectual property in the future. In particular, our ability to stop third parties from making, using, selling, offering to sell or importing products that infringe our intellectual property will depend in part on our success in obtaining and enforcing patent claims that cover our technology, inventions and improvements.

We may come to believe that third parties are infringing on, or otherwise violating, our patents or other proprietary rights. To prevent infringement or unauthorized use, we may need to file infringement and/or misappropriation suits, which are very expensive and time-consuming, could result in meritorious counterclaims against us and would distract management’s attention. Also, in an infringement or misappropriation proceeding, a court may decide that one or more of our patents is invalid, unenforceable, or both, in which case third parties may be able to use our technology without paying license fees or royalties. Even if the validity of our patents is upheld, a court may refuse to stop the other party from using the technology at issue on the grounds that the other party’s activities are not covered by our patents.

In addition to patents, we rely on trade secrets to protect our technology; however, the policies we use to protect our trade secrets may not be effective in preventing misappropriation of our trade secrets by others. In addition, confidentiality agreements executed by our employees, consultants and advisors may not be enforceable or may not provide meaningful protection for our trade secrets or other proprietary information in the event of unauthorized use or disclosure. Litigating a trade secret claim is expensive and time consuming, and the outcome may be unexpected. In addition, courts outside the United States are sometimes less willing to protect trade secrets. Moreover, our competitors may independently develop knowledge, methods and know-how that allow them to create substantially similar products or services without misappropriating our trade secrets. If we are unable to protect our trade secrets, we may be unable to prevent competitors from using our own inventions and intellectual property to compete against us, and our business may be harmed.

Patent terms may be inadequate to protect our competitive position on our future products for an adequate amount of time.

Patents have a limited lifespan. In the United States, if all maintenance fees are timely paid, the natural expiration of a patent is generally 20 years from its earliest U.S. non-provisional filing date. Various extensions may be available, but the life of a patent, and the protection it affords, is limited. Even if patents covering our future products are obtained, once the patent life has expired, we may be open to competition from competitive products.

Given the amount of time required for the development, testing and regulatory review of new products, patents protecting our future products might expire before or shortly after we or our future partners commercialize those products. As a result, our owned and licensed patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours for a sufficient amount of time, and, as a result, we may not be able to obtain adequate protection from our patent portfolio against competition, in spite of the time and effort invested in the commercialization of our future products.

Claims that our technology or our future products or the sale or use of our future products infringe the patents or other intellectual property rights of third parties could result in costly litigation or could require substantial time and money to resolve, even if litigation is avoided.

Because our industry is characterized by competing intellectual property, we may be subject to legal actions for violating the intellectual property rights of others, including claims that former employees, collaborators or third parties have an interest in our patents, trade secrets or other intellectual property. For example, we may have inventorship or ownership disputes arising from conflicting obligations of employees, consultants or others who are involved in developing our technology or our products.

We also may be required to participate in interference, derivation or opposition proceedings that concern disputes regarding priority of inventions disclosed in our patents. Determining whether a product infringes a patent, as well as priority of inventions and other patent-related disputes, involves complex legal and factual issues and the outcome is often uncertain. We have not conducted any significant search of patents issued to third parties, and third-party patents containing claims covering our technology or methods that predate our patents may exist. Because of the number of patents issued and patent applications filed in our technical areas or fields (including some pertaining specifically to medical imaging technologies), our competitors or other third parties may assert that our technology and the methods we employ in the use of products incorporating our technology are covered by United States or foreign patents held by them. In addition, because patent applications can take many years to issue and because publication schedules for pending applications vary by jurisdiction, there may be applications now pending of which we are unaware, and which may result in issued patents that our technology or other future products would infringe. Also, because the claims of published patent applications can change between publication and patent grant, there may be published patent applications that may ultimately issue with claims that we infringe.

As the number of competitors in the market for medical imaging technologies increases, and as the number of patents issued in this area grows, the possibility of patent infringement claims against us increases. Some of our competitors may be able to sustain the costs of complex patent litigation more effectively than we can, including if they have substantially greater resources. Defending against such litigation is costly and time consuming, and would distract our management from our business. In addition, any uncertainties resulting from the initiation and continuation of any litigation could have a material adverse effect on our ability to raise the funds necessary to continue our operations.

In the event that we become subject to a patent infringement or other intellectual property lawsuit and if the relevant patents or other intellectual property were upheld as valid and enforceable and we were found to infringe or violate those rights or the terms of a license to which we are a party, we could be prevented from selling any infringing products of ours unless we could obtain a license or were able to redesign the product to avoid infringement. If we were unable to obtain a license or successfully redesign, we might be prevented from selling our technology or other future products. If we are able to redesign, we may need to invest substantial resources in the redesign process. If there is an allegation or determination that we have infringed the intellectual property rights of a competitor or other person, we may be required to pay damages, or a settlement or ongoing royalties, or we may be required to enter into cross-licenses with our competitors. In any of these circumstances, we may be unable to sell our products at competitive prices or at all, and our business, financial condition, results of operations and prospects could be harmed.

In addition, we may be required to indemnify our customers and distributors against claims relating to the infringement of intellectual property rights of third parties related to our products. Third parties may assert infringement claims against our customers or distributors. These claims may require us to initiate or defend protracted and costly litigation on behalf of our customers or distributors, regardless of the merits of these claims. If any of these claims succeed, we may be forced to pay damages on behalf of our customers or distributors, or may be required to obtain licenses for the products or services they use. If we cannot obtain all necessary licenses on commercially reasonable terms, our distributors may be forced to stop distributing our products or services, and our customers may be forced to stop using our products or services.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during discovery. There could also be public announcements of the results of hearings, motions or other interim proceedings or developments, which could have a material adverse effect on the price of our ordinary shares. If securities analysts or investors perceive these results to be negative, it could have a material adverse effect on the price of our ordinary shares.

Obtaining and maintaining patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated if we or our future licensors do not comply with these requirements.

Periodic maintenance fees, renewal fees, annuity fees and various other government fees on a patent and patent application are due to be paid to the patent offices and agencies in several stages over the lifetime of the patent and patent application. The U.S. Patent and Trademark Office and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. In certain circumstances, we may be required to rely on our licensing partners to take the necessary action to comply with these requirements with respect to patents or other intellectual property they have licensed to us. While an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which noncompliance, which could include failure to respond to official actions within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents, can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. In such an event, our competitors may be able to enter the market and compete with our products, which would have a material adverse effect on our business.

We may be subject to claims that our employees, consultants or advisers have wrongfully used or disclosed alleged trade secrets of their former employers or claims asserting ownership of what we regard as our own intellectual property.

Many of our employees, consultants and advisers, including our senior management, were previously employed at other companies that may have proprietary rights related to our business. Some of these employees, consultants and advisers, including members of our senior management, executed proprietary rights, non-disclosure and non-competition agreements in connection with such previous employment. Although we try to ensure that such individuals do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or these employees have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such individual's former employer. We are not aware of any such disclosures, or threatened or pending claims related to these matters, but in the future, litigation may be necessary to defend against such claims. If we fail in defending any such claims, we may lose valuable intellectual property rights or personnel, in addition to possibly paying monetary damages and being enjoined from conducting our business as contemplated. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management.

Additionally, a licensor, collaborator, employee, consultant, adviser or other third party may dispute our or our licensor's ownership of certain intellectual property rights. We seek to address these concerns in our contractual agreements; however, we may not have contractual arrangements with the party in question and/or such provisions may not be effective. If these provisions prove to be ineffective, we may not be able to achieve our business objectives. If we or our licensors fail in defending any such claims, we may have to pay monetary damages and may lose valuable intellectual property rights, such as exclusive ownership of, or right to use, intellectual property, which could adversely impact our business, financial condition and results of operations.

If our trademarks and trade names are not adequately protected, then we may not be able to build name recognition in our markets of interest and our business may be adversely affected.

Our unregistered trademarks or trade names are valuable assets and may be challenged, infringed, circumvented or declared generic or determined to infringe third party's marks. We may not be able to protect our rights to these trademarks and trade names, which may be necessary to build name recognition among potential collaborators or customers in our markets of interest. At times, competitors may adopt trade names or trademarks similar to ours, thereby impeding our ability to build brand identity and possibly leading to market confusion. In addition, there could be potential trade name or trademark infringement claims brought by owners of other trademarks or trademarks that incorporate variations of our unregistered trademarks or trade names. We have not conducted any registrability studies for possible future trademarks to assess whether such marks would be successfully registered. Over the long term, if we are unable to establish name recognition based on our trademarks and trade names, then we may not be able to compete effectively and our business may be adversely affected. In addition, we may license our trademarks and trade names to third parties, such as distributors. Though these license agreements may provide guidelines for how our trademarks and trade names may be used, a breach of these agreements or misuse of our trademarks and tradenames by our licensees may jeopardize our rights in or diminish the goodwill associated with our trademarks and trade names. Our efforts to enforce or protect our proprietary rights related to trademarks, trade names, trade secrets, domain names, copyrights or other intellectual property may be ineffective and could result in substantial costs and diversion of resources and adversely affect our competitive position, business, financial condition, results of operations and prospects.

Our rights to develop and commercialize our products may be subject to the terms and conditions of licenses and sublicenses granted to us by third parties.

We rely on licenses and sublicenses to certain patent rights and other intellectual property from third parties that are important or necessary to the development of our products, including the software modules that we expect to integrate into the Nanox.CLOUD. These and other licenses may not provide exclusive rights to use such intellectual property in all relevant fields of use and in all territories in which we may wish to develop or commercialize our products and the underlying patents may fail to provide the intended exclusivity. As a result, we may not be able to prevent competitors from developing and commercializing competitive products in the markets that we hope to address. Moreover, we would not own at least some of the underlying intellectual property rights related to these products, and as a result our rights would be subject to the continuation and compliance with the terms of those agreements. If such in-licenses were terminated, competitors would have the freedom to develop, seek regulatory approval of, and to market, products similar or identical to ours.

In addition, these license agreements may not grant us the right to control the preparation, filing, prosecution or maintenance of patents and patent applications covering our products. Therefore, we cannot be certain that these patents and patent applications will be prepared, filed, prosecuted or maintained in a manner consistent with the best interests of our business. If our current or future licensing partners fail to file, prosecute or maintain such patents, including the payment of applicable fees, or otherwise lose rights to those patents or patent applications, the intellectual property we have licensed or exclusivity we have been granted may be reduced or eliminated, and our right to develop and commercialize any of our future products that are subject of such licensed rights, and our ability to prevent competitors from developing or commercializing such products, could be adversely affected. In addition, even where we have the right to control patent prosecution and maintenance of patents and patent applications we have licensed from third parties, we may still be adversely affected or prejudiced by actions or inactions of our licensees, our licensors and their counsel that took place prior to the date upon which we assumed control over patent prosecution.

Pursuant to the terms of such license agreements, the licensors may also have the right to control enforcement of our licensed patents or defense of any claims asserting the invalidity or unenforceability of these patents. Even if we are permitted to pursue the enforcement or defense of our licensed patents, we may require the cooperation of our future licensors or collaboration partners and any other applicable patent owners and we cannot be certain that such cooperation will be provided to us. We also cannot be certain that our licensors will allocate sufficient resources or prioritize their or our enforcement of such patents or defense of such claims to protect our interests in the licensed patents. Even if we are not a party to these legal actions, an adverse outcome could harm our business because it might prevent us from continuing to license intellectual property that we may need to operate our business. If we lose any of our licensed intellectual property, our right to develop and commercialize any of our products that are subject of such licensed rights could be adversely affected.

In addition, our future licensors may rely on third-party consultants or collaborators or on funds from third parties such that our licensors are not the sole and exclusive owners of the patents we in-license. If other third parties have ownership rights to our in-licensed patents, they may be able to license such patents to our competitors, and our competitors could market competing products and technologies. In addition, if our licensors have not obtained adequate rights from these third parties, we may need to obtain additional rights from these third parties or we could be prevented from developing and commercializing the related products. This could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects.

In spite of our best efforts, our licensors might conclude that we have materially breached our license agreements and might therefore terminate the license agreements, in which event we may have to cease developing, manufacturing or marketing any product covered by these agreements and we may face other additional penalties or be required to grant our licensors additional rights. In addition, we may seek to obtain additional licenses from our licensors and, in connection with obtaining such licenses, we may agree to amend our existing licenses in a manner that may be more favorable to the licensors, including by agreeing to terms that could enable third parties (potentially including our competitors) to receive licenses to a portion of the intellectual property that is subject to our existing licenses. Any of these events could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects.

We may be required to pay certain milestones and royalties and fulfill other obligations under our license agreements with third-party licensors.

We may be required to pay milestones and royalties related to our development or commercialization activities of our products utilizing the technologies licensed or sublicensed from third parties under license agreements we may enter into with them. These payments could adversely affect our overall profitability related to any future products that we may seek to develop or commercialize. In order to maintain our license rights under our license agreements, we may need to meet certain specified milestones or fulfill certain obligations, including to devote a certain amount of resources, in the development of our products. Failure to satisfy such obligations could result in the termination of our rights under such agreements.

If we choose to license our technology to third parties, this could result in disputes or otherwise limit our future operations.

We may also in the future, as one of our strategies, deploy our technology into the market and license patents and other intellectual proprietary rights to third parties. Disputes with our licensees may arise, including regarding the scope and content of these licenses. Additionally, a licensee may use our intellectual property without our permission, dispute our ownership of certain intellectual property rights or argue that our intellectual property does not cover our product. Regardless of whether we pursue legal action to enforce any such dispute, a dispute with a licensee or customer over intellectual property rights may damage our relationship with that licensee or customer and may also harm our reputation in the industry. Our ability to expand into additional fields with our technologies also may be restricted by licenses or other rights we may grant to third parties in the future, including if the licenses are exclusive, the licensee is assigned ownership of intellectual property that we develop or rights of first negotiation or refusal are granted.

Risks Related to Government Regulation

Our product candidates and operations are subject to extensive government regulation and oversight both in the United States and abroad, and our failure to comply with applicable requirements could harm our business.

We expect the Nanox.ARC and other future products we develop to be regulated by the FDA as medical devices. Our product candidate is subject to extensive regulation in the United States and elsewhere, including by the FDA and its foreign counterparts, the U.S. Department of Justice (the "DOJ") and the U.S. Department of Health and Human Services-Office of the Inspector General. The FDA and foreign regulatory agencies regulate, among other things, with respect to medical devices: design, development and manufacturing; testing, labeling, content and language of instructions for use and storage; clinical trials; product safety; establishment registration and device listing; marketing, sales and distribution; pre-market clearance and approval; conformity assessment procedures; record keeping procedures; advertising and promotion; recalls and field safety corrective actions; post-market surveillance, including reporting of deaths or serious injuries and malfunctions that, if they were to occur, could lead to death or serious injury; post-market approval studies; and product import and export.

The regulations our product candidate is subject to are complex and have tended to become more stringent over time. Regulatory changes could result in restrictions on our ability to carry on or expand our operations, higher than anticipated costs or lower than anticipated sales for any approved product. Failure to comply with applicable regulations could jeopardize our ability to sell our future products, if cleared or approved, and result in enforcement actions such as: warning or untitled letters; fines; injunctions; consent decrees; civil penalties; customer notifications; termination of distribution; recalls or seizures of products; administrative detention of medical devices believed to be adulterated or misbranded; delays in the introduction of products into the market; operating restrictions; total or partial suspension of production; refusal to grant future clearances or approvals for new products, new intended uses or modifications to our products; withdrawals or suspensions of current approvals, resulting in prohibitions on sales of our products; and in the most serious cases, criminal prosecution or penalties. The occurrence of any of these events would have a material adverse effect on our business, financial condition and results of operations and could result in shareholders losing their entire investment.

We may not receive, or may be delayed in receiving, the necessary clearances or approvals for our future products, and failure to timely obtain necessary clearances or approvals for our future products would adversely affect our ability to grow our business.

In the United States, before we can market a new medical device, or a new use of, new claim for or significant modification to an existing product, we must first receive either clearance under Section 510(k) of the Federal Food, Drug, and Cosmetic Act (the "FDCA") or approval of a pre-market approval application (a "PMA") from the FDA, unless an exemption applies. In the 510(k) clearance process, before a device may be marketed, the FDA must determine that a proposed device is "substantially equivalent" to a legally-marketed "predicate" device, which includes a device that has been previously cleared through the 510(k) process, a device that was legally marketed prior to May 28, 1976 (pre-amendments device), a device that was originally on the U.S. market pursuant to an approved PMA and later down-classified, or a 510(k)-exempt device. To be "substantially equivalent," the proposed device must have the same intended use as the predicate device, and either have the same technological characteristics as the predicate device or have different technological characteristics and not raise different questions of safety or effectiveness than the predicate device. Clinical data are sometimes required to support substantial equivalence. In the process of obtaining PMA approval, the FDA must determine that a proposed device is safe and effective for its intended use based, in part, on extensive data, including, but not limited to, technical, pre-clinical, clinical trial, manufacturing and labeling data. The PMA process is typically required for devices that are deemed to pose the greatest risk, such as life-sustaining, life-supporting or implantable devices.

Modifications to products that are approved through a PMA application generally require FDA approval. Similarly, certain modifications made to products cleared through a 510(k) may require a new 510(k) clearance. Both the PMA approval and the 510(k) clearance process can be expensive, lengthy and uncertain. The FDA's 510(k) clearance process usually takes from three to 12 months, but can last longer. The process of obtaining a PMA is generally much more costly and uncertain than the 510(k) clearance process and generally takes from one to three years, or even longer, from the time the application is submitted to the FDA. In addition, a PMA generally requires the performance of one or more clinical trials. Despite the time, effort and cost, a device may not be approved or cleared by the FDA. Any delay or failure to obtain necessary regulatory clearances or approvals could harm our business. Furthermore, even if we are granted regulatory clearances or approvals, they may include significant limitations on the indicated uses for the device or other restrictions or requirements, which may limit the market for the device.

In the United States, we continue to implement a multi-step approach to the regulatory clearance process. As a first step, we submitted a 510(k) premarket notification for the Nanox Cart X-Ray System, a single-source version of the Nanox.ARC, to an accredited Review Organization under the Third Party Review Program in January 2020. On April 1, 2021, we received clearance from the FDA to market our Nanox Cart X-Ray System. On June 17, 2021, we submitted a 510(k) premarket notification application to the FDA for the first version of our multi-source Nanox.ARC 3-D digital tomosynthesis system. On August 12, 2021, we received a request for additional information from the FDA concerning the first submission of our multi-source system. On January 10, 2022, we withdrew our first submission of our multi-source system. On January 12, 2022, we submitted to the FDA a Q-submission for the second version of our multi-source Nanox.ARC 3-D digital tomosynthesis system. The Q-submission program provides submitters an opportunity to have early collaboration and discussions about medical device submissions, through a request for feedback from and/or a meeting with the FDA regarding a potential or planned medical device submission. We believe that using this approach will assist to expedite and optimize the regulatory clearance process. The second version of the Nanox.ARC was designed, among other things, to address certain deficiencies raised by the FDA during their review of the first submission from June 2021. We continue to communicate with the FDA and we expect the next step in this process to be a submission of a supplement to the Q-submission followed by a formal 510(k) application to the FDA for the multi-source Nanox.ARC. If cleared by the FDA, we expect to commercialize the multi-source Nanox.ARC and we may seek alternatives for commercialization of our Nanox Cart X-Ray System. However, the review process may be more costly and time consuming than we expect and we may not ultimately be successful in completing the review process and our 510(k) premarket notification may not be cleared by the FDA in a timely manner or at all. If cleared, any modification to these systems that has not been previously cleared may require us to submit a new 510(k) premarket notification and obtain clearance, or submit a PMA and obtain FDA approval prior to implementing the change. Specifically, any modification to a 510(k)-cleared device that could significantly affect its safety or effectiveness, or that would constitute a major change in its intended use, design or manufacture, requires a new 510(k) clearance or, possibly, approval of a PMA. The FDA requires every manufacturer to make this determination in the first instance, but the FDA may review any manufacturer's decision. The FDA may not agree with our decisions regarding whether new clearances or approvals are necessary. We may make modifications or add additional features in the future that we believe do not require a new 510(k) clearance or approval of a PMA. If the FDA disagrees with our determination and requires us to submit new 510(k) notifications or PMA applications for modifications to our previously cleared products for which we have concluded that new clearances or approvals are unnecessary, we may be required to cease marketing or to recall the modified product until we obtain clearance or approval, and we may be subject to significant regulatory fines or penalties. If the FDA requires us to go through a lengthier, more rigorous examination for future products or modifications to existing products than we had expected, product introductions or modifications could be delayed or canceled, which could adversely affect our ability to grow our business.

The FDA can delay, limit or deny clearance or approval of a medical device for many reasons, including:

- our inability to demonstrate to the satisfaction of the FDA or the applicable regulatory entity or notified body that our product candidates are safe or effective for their intended uses or are substantially equivalent to a predicate device;
- the disagreement of the FDA or the applicable foreign regulatory body with the design or implementation of our clinical trials or the interpretation of data from pre-clinical studies or clinical trials;
- serious and unexpected adverse effects experienced by participants in our clinical trials;
- the data from our pre-clinical studies and clinical trials may be insufficient to support clearance or approval, where required;
- our inability to demonstrate that the clinical and other benefits of the device outweigh the risks;
- the manufacturing process or facilities we use may not meet applicable requirements; and
- the potential for approval policies or regulations of the FDA or applicable foreign regulatory bodies to change significantly in a manner rendering our clinical data or regulatory filings insufficient for clearance or approval.

In order to sell our products in member countries of the European Economic Area ("EEA"), our products must comply with the essential requirements of the EU Medical Devices Directive (Council Directive 93/42/EEC). Compliance with these requirements is a prerequisite to be able to affix the Conformité Européene ("CE") mark to our products, without which they cannot be sold or marketed in the EEA. To demonstrate compliance with the essential requirements we must undergo a conformity assessment procedure, which varies according to the type of medical device and its classification. Except for low-risk medical devices (Class I non-sterile, non-measuring devices), where the manufacturer can issue a European Community ("EC") Declaration of Conformity based on a self-assessment of the conformity of its products with the essential requirements of the EU Medical Devices Directive, a conformity assessment procedure requires the intervention of an organization accredited by a member state of the EEA to conduct conformity assessments, or a Notified Body. Depending on the relevant conformity assessment procedure, the Notified Body would typically audit and examine the technical file and the quality system for the manufacture, design and final inspection of our devices. The Notified Body issues a certificate of conformity following successful completion of a conformity assessment procedure conducted in relation to the medical device and its manufacturer and their conformity with the essential requirements. This certificate entitles the manufacturer to affix the CE mark to its medical devices after having prepared and signed a related EC Declaration of Conformity.

As a general rule, demonstration of conformity of medical devices and their manufacturers with the essential requirements must be based, among other things, on the evaluation of clinical data supporting the safety and performance of the products during normal conditions of use. Specifically, a manufacturer must demonstrate that the device achieves its intended performance during normal conditions of use, that the known and foreseeable risks, and any adverse events, are minimized and acceptable when weighed against the benefits of its intended performance, and that any claims made about the performance and safety of the device are supported by suitable evidence. If we fail to remain in compliance with applicable European laws and directives, we would be unable to continue to affix the CE mark to our products, which would prevent us from selling them within the EEA.

Failure to comply with post-marketing regulatory requirements could subject us to enforcement actions, including substantial penalties, and might require us to recall or withdraw a product from the market.

If we receive regulatory clearance or approval of the Nanox.ARC or other future products, we will remain subject to ongoing and pervasive regulatory requirements governing, among other things, the manufacture, marketing, advertising, medical device reporting, sale, promotion, import, export, registration, and listing of devices. For example, we will be required to submit periodic reports to the FDA as a condition of 510(k) clearance. These reports include information about failures and certain adverse events associated with the device after its clearance. Failure to submit such reports, or failure to submit the reports in a timely manner, could result in enforcement action by the FDA. Following its review of the periodic reports, the FDA might ask for additional information or initiate further investigation.

The regulations to which we are subject are complex and have become more stringent over time. Regulatory changes could result in restrictions on our ability to continue or expand our operations, higher than anticipated costs, or lower than anticipated sales. Even after we have obtained the proper regulatory clearance or approval to market a device, we have ongoing responsibilities under FDA regulations and applicable foreign laws and regulations. The FDA, state and foreign regulatory authorities have broad enforcement powers. Our failure to comply with applicable regulatory requirements could result in enforcement action by the FDA, state or foreign regulatory authorities, which may include any of the following sanctions:

- untitled letters or warning letters;
- fines, injunctions, consent decrees and civil penalties;
- recalls, termination of distribution, administrative detention, or seizure of our products;
- customer notifications or repair, replacement or refunds;
- operating restrictions or partial suspension or total shutdown of production;
- delays in or refusal to grant our requests for future clearances or approvals or foreign marketing authorizations of new products, new intended uses, or modifications to existing products;
- withdrawals or suspensions of product clearances or approvals, resulting in prohibitions on sales of our products;
- FDA refusal to issue certificates to foreign governments needed to export products for sale in other countries; and
- criminal prosecution.

Any of these sanctions could result in higher than anticipated costs or lower than anticipated sales and have a material adverse effect on our reputation, business, financial condition and results of operations.

In addition, the FDA or state or foreign authorities may change their clearance and approval policies, adopt additional regulations or revise existing regulations, or take other actions, which may prevent or delay clearance or approval of our future products under development on a timely basis. Such policy or regulatory changes could impose additional requirements upon us that could delay our ability to obtain new clearances or approvals, increase the costs of compliance or restrict our ability to maintain any approvals we are able to obtain. For example, the FDA has announced steps that the FDA intends to take to modernize the premarket notification pathway under Section 510(k) of the FDCA. For more information, see "—Legislative or regulatory reforms in the United States or the EU may make it more difficult and costly for us to obtain regulatory clearances or approvals for our products or to manufacture, market or distribute our products after clearance or approval is obtained."

Our products must be manufactured in accordance with federal, state and foreign regulations, and we could be forced to recall our devices or terminate production if we fail to comply with these regulations.

The methods used in, and the facilities used for, the manufacture of our products must comply with the Quality System Regulation ("QSR"), which is a complex regulatory scheme that covers the procedures and documentation of the design, testing, production, process controls, quality assurance, labeling, packaging, handling, storage, distribution, installation, servicing and shipping of medical devices. As manufacturers of electron radiation-emitting products, we are also responsible for compliance with the radiological health regulations and certain radiation safety performance standards.

Furthermore, we are required to verify that our suppliers maintain facilities, procedures and operations that comply with our quality standards and applicable regulatory requirements. The FDA enforces the QSR through periodic announced or unannounced inspections of medical device manufacturing facilities, which may include the facilities of subcontractors. Our products are also subject to similar state regulations and various laws and regulations of foreign countries governing manufacturing.

Our third-party manufacturers may not take the necessary steps to comply with applicable regulations, which could cause delays in the delivery of our products. In addition, failure to comply with applicable FDA or state or foreign requirements or later discovery of previously unknown problems with our products or manufacturing processes could result in, among other things: warning letters or untitled letters; fines, injunctions or civil penalties; suspension or withdrawal of approvals; seizures or recalls of our products; total or partial suspension of production or distribution; administrative or judicially imposed sanctions; the FDA's refusal to grant pending or future clearances or approvals for our products; clinical holds; refusal to permit the import or export of our products; and criminal prosecution of us, our suppliers or our employees.

Any of these actions could significantly and negatively affect supply of our products. If any of these events occurs, our reputation could be harmed, we could be exposed to product liability claims and we could lose customers and experience reduced sales and increased costs.

The misuse or off-label use of our products may harm our reputation in the marketplace, result in injuries that lead to product liability suits or result in costly investigations, fines or sanctions by regulatory bodies if we are deemed to have engaged in the promotion of these uses, any of which could be costly to our business.

Advertising and promotion of our future products that obtains approval in the United States may be heavily scrutinized by the FDA, the DOJ, HHS, state attorneys general, members of Congress, and the public. In addition, advertising and promotion of any future product that obtains approval outside of the United States will be heavily scrutinized by comparable foreign regulatory authorities.

We expect that, if cleared or approved, our products, including the multi-source Nanox.ARC, will be cleared by the requisite regulatory authorities for specific indications. We expect to train our marketing personnel and direct sales force to not promote our devices for uses outside of the FDA-approved indications for use, known as "off-label uses." We cannot, however, prevent a physician from using our devices off-label, when in the physician's independent professional medical judgment he or she deems it appropriate. There may be increased risk of injury to patients if physicians attempt to use our devices off-label. Furthermore, the use of our devices for indications other than those approved by the FDA or approved by any foreign regulatory body may not effectively treat such conditions, which could harm our reputation in the marketplace among healthcare providers and patients.

If the FDA or any state or foreign regulatory body determines that our promotional materials or training constitute promotion of an off-label use, it could request that we modify our training or promotional materials or subject us to regulatory or enforcement actions, including the issuance or imposition of an untitled letter, which is used for violators that do not necessitate a warning letter, injunction, seizure, civil fine or criminal penalties. It is also possible that other federal, state or foreign enforcement authorities might take action under other regulatory authority, such as false claims laws, if they consider our business activities to constitute promotion of an off-label use, which could result in significant penalties, including, but not limited to, criminal, civil and administrative penalties, damages, fines, disgorgement, exclusion from participation in government healthcare programs and the curtailment of our operations. We may become subject to such actions and, if we are not successful in defending against such actions, those actions may have a material adverse effect on our business, financial condition and results of operations. Equivalent laws and potential consequences exist in foreign jurisdictions.

In addition, if our products are cleared or approved, healthcare providers may misuse our products or use improper techniques if they are not adequately trained, potentially leading to injury and an increased risk of product liability. If our devices are misused or used with improper technique, we may become subject to costly litigation by our customers or their patients. As described above, product liability claims could divert management's attention from our core business, be expensive to defend and result in sizeable damage awards against us that may not be covered by insurance.

Our products may cause or contribute to adverse medical events or be subject to failures or malfunctions that we are required to report to the FDA, and if we fail to do so, we would be subject to sanctions that could harm our reputation, business, financial condition and results of operations. The discovery of serious safety issues with our products, or a recall of our products either voluntarily or at the direction of the FDA or another governmental authority, could have a negative impact on us.

If the Nanox.ARC or our other future products receive clearance or approval, we will be subject to the FDA's medical device reporting regulations and similar foreign regulations, which require us to report to the FDA when we receive or become aware of information that reasonably suggests that one or more of our products may have caused or contributed to a death or serious injury or malfunctioned in a way that, if the malfunction were to recur, could cause or contribute to a death or serious injury. The timing of our obligation to report is triggered by the date we become aware of the adverse event as well as the nature of the event. We may fail to report adverse events of which we become aware within the prescribed timeframe. We may also fail to recognize that we have become aware of a reportable adverse event, especially if it is not reported to us as an adverse event or if it is an adverse event that is unexpected or removed in time from the use of the product. If we fail to comply with our reporting obligations, the FDA or other regulatory bodies could take action, including warning letters, untitled letters, administrative actions, criminal prosecution, imposition of civil monetary penalties, revocation of our device clearance or approval, seizure of our products or delay in clearance or approval of future products.

The FDA and foreign regulatory bodies have the authority to require the recall of commercialized products in the event of material deficiencies or defects in design or manufacture of a product or in the event that a product poses an unacceptable risk to health. The FDA's authority to require a recall must be based on a finding that there is reasonable probability that the device could cause serious injury or death. We may also choose to voluntarily recall a product if any material deficiency is found. A government-mandated or voluntary recall by us could occur as a result of an unacceptable risk to health, component failures, malfunctions, manufacturing defects, labeling or design deficiencies, packaging defects or other deficiencies or failures to comply with applicable regulations. Product defects or other errors may occur in the future.

Depending on the corrective action we take to redress a product's deficiencies or defects, the FDA may require, or we may decide, that we will need to obtain new clearances or approvals for the device before we may market or distribute the corrected device. Seeking such clearances or approvals may delay our ability to replace the recalled devices in a timely manner. Moreover, if we do not adequately address problems associated with our devices, we may face additional regulatory enforcement action, including FDA warning letters, product seizure, injunctions, administrative penalties or civil or criminal fines.

Companies are required to maintain certain records of recalls and corrections, even if they are not reportable to the FDA. We may initiate voluntary withdrawals or corrections for our products in the future that we determine do not require notification of the FDA. If the FDA disagrees with our determinations, it could require us to report those actions as recalls and we may be subject to enforcement action. A future recall announcement could harm our reputation with customers, potentially lead to product liability claims against us and negatively affect our sales. Any corrective action, whether voluntary or involuntary, as well as defending ourselves in a lawsuit, will require the dedication of our time and capital, distract management from operating our business and may harm our reputation and financial results.

Our relationships with customers and third-party payors will be subject to applicable anti-kickback, fraud and abuse and other healthcare laws and regulations, which could expose us to criminal sanctions, civil penalties, contractual damages, reputational harm and diminished profits and future earnings.

Physicians, other healthcare providers, and third-party payors will play a primary role with respect to any future products for which we obtain marketing approval. Our arrangements with third-party payors and customers may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations that may constrain the business or financial arrangements and relationships through which we market, sell and distribute our product. Restrictions under applicable federal and state healthcare laws and regulations include the following:

- The U.S. federal healthcare program Anti-Kickback Statute prohibits, among other things, persons from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind, to induce or reward either the referral of an individual for, or the purchase, order or recommendation of, any good or service, for which payment may be made, in whole or in part, under federal healthcare programs such as Medicare and Medicaid. Although there are a number of statutory exemptions and regulatory safe harbors protecting certain common activities from prosecution, the exemptions and safe harbors are drawn narrowly and practices that involve remuneration to those who prescribe, purchase, or recommend medical devices, including certain discounts, or engaging consultants as speakers or consultants, may be subject to scrutiny if they do not fit squarely within the exemption or safe harbor. Our practices may not in all cases meet all of the criteria for safe harbor protection from anti-kickback liability. Moreover, there are no safe harbors for many common practices, such as educational and research grants. Liability may be established without a person or entity having actual knowledge of the federal Anti-Kickback Statute or specific intent to violate it. In addition, the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the civil False Claims Act. Due to the breadth of these laws, the narrowness of statutory exceptions and regulatory safe harbors available, and the range of interpretations to which they are subject, it is possible that some of our current or future practices might be challenged under one or more of these laws, including, without limitation, our proposed Subscription Model, and our advisory, consulting and royalty agreements with certain physicians who receive compensation, in part, in the form of stock or stock options.

- The federal civil False Claims Act prohibits, among other things, any person from knowingly presenting, or causing to be presented, a false or fraudulent claim for payment of government funds, or knowingly making, using, or causing to be made or used, a false record or statement material to an obligation to pay money to the government or knowingly concealing or knowingly and improperly avoiding, decreasing, or concealing an obligation to pay money to the federal government. In recent years, several healthcare companies have faced enforcement actions under the federal False Claims Act for, among other things, allegedly providing free product to customers with the expectation that the customers would bill federal programs for the product or causing false claims to be submitted because of the company's marketing the product for unapproved, and thus non-reimbursable, uses. False Claims Act liability is potentially significant in the healthcare industry because the statute provides for treble damages and mandatory penalties of tens of thousands of dollars per false claim or statement. Healthcare companies also are subject to other federal false claims laws, including, among others, federal criminal healthcare fraud and false statement statutes that extend to non-government health benefit programs.

- The Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), as amended by the Health Information Technology for Economic and Clinical Health Act of 2009 ("HITECH"), imposes criminal and civil liability for knowingly and willfully executing a scheme to defraud any healthcare benefit program, or knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false statement in connection with the delivery of or payment for healthcare benefits, items or services. In addition, HIPAA, as amended by HITECH, and their respective implementing regulations impose obligations, including mandatory contractual terms, on covered healthcare providers, health plans, as well as their business associates, with respect to safeguarding the privacy, security and transmission of individually identifiable health information.

- The Physician Payment Sunshine Act, implemented as the Open Payments program, requires manufacturers of certain products reimbursed by Medicare, Medicaid, or the Children's Health Insurance Program to track and report to the federal government payments and transfers of value that they make to physicians and teaching hospitals, certain other healthcare professionals beginning in 2022, group purchasing organizations, and ownership interests held by physicians and their families, and provides for public disclosures of these data. Manufacturers are required to submit annual reports to the government and failure to do so may result in civil monetary penalties for all payments, transfers of value and ownership or investment interests not reported in an annual submission, and may result in liability under other federal laws and regulations.

- Federal law prohibiting certain physician self-referrals, known as the Stark Law, prohibits a physician from referring Medicare or Medicaid patients to an entity for certain "designated health services" if the physician has a prohibited financial relationship with that entity, unless an exception applies. Certain radiology services are considered "designated health services" under the Stark Law.

- Many states have adopted laws and regulations analogous to the federal laws cited above, including state anti-kickback and false claims laws, which may apply to items or services reimbursed under Medicaid and other state programs or, in several states, regardless of the payer. Several states have enacted legislation requiring medical device companies to, among other things, establish marketing compliance programs; file periodic reports with the state, including reports on gifts and payments to individual health care providers; make periodic public disclosures on sales, marketing, pricing, clinical trials and other activities; and/or register their sales representatives. Some states prohibit specified sales and marketing practices, including the provision of gifts, meals, or other items to certain health care providers.

Efforts to ensure that our business arrangements with third parties will comply with applicable healthcare laws and regulations involve substantial costs. Additionally, it is possible that governmental authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations are found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant civil, criminal and administrative penalties, damages, fines, exclusion from government funded healthcare programs, such as Medicare and Medicaid, and the curtailment or restructuring of our operations. Exclusion, suspension and debarment from government funded healthcare programs would significantly impact our ability to commercialize, sell or distribute any product. If any of the physicians or other providers or entities with whom we expect to do business are found not to be in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs.

Changes in laws or regulations relating to data protection, or any actual or perceived failure by us to comply with such laws and regulations or our privacy policies, could materially and adversely affect our business or could lead to government enforcement actions and significant penalties against us, and adversely impact our operating results.

We expect to receive health information and other highly sensitive or confidential information and data of patients and other third parties (e.g., healthcare providers who refer patients for scans), which we expect to compile and analyze. Collection and use of this data might raise privacy and data protection concerns, which could negatively impact our business. There are numerous federal, state and international laws and regulations regarding privacy, data protection, information security, and the collection, storing, sharing, use, processing, transfer, disclosure, and protection of personal information and other data, and the scope of such laws and regulations may change, be subject to differing interpretations, and may be inconsistent among countries and regions we intend to operate in (e.g., the United States, the European Union and Israel), or conflict with other laws and regulations. The regulatory framework for privacy and data protection worldwide is, and is likely to remain for the foreseeable future, uncertain and complex, and this or other actual or alleged obligations may be interpreted and applied in a manner that we may not anticipate or that is inconsistent from one jurisdiction to another and may conflict with other rules or practices including ours. Further, any significant change to applicable laws, regulations, or industry practices regarding the collection, use, retention, security, or disclosure of data, or their interpretation, or any changes regarding the manner in which the consent of relevant users for the collection, use, retention, or disclosure of such data must be obtained, could increase our costs and require us to modify our services and candidate products, possibly in a material manner, which we may be unable to complete, and may limit our ability to store and process patients' data or develop new services and features.

In particular, we will be subject to U.S. data protection laws and regulations (i.e., laws and regulations that address privacy and data security) at both the federal and state levels. The legislative and regulatory landscape for data protection continues to evolve, and in recent years there has been an increasing focus on privacy and data security issues. Numerous federal and state laws, including state data breach notification laws, state health information privacy laws, and federal and state consumer protection laws, govern the collection, use, and disclosure of health-related and other personal information. Failure to comply with such laws and regulations could result in government enforcement actions and create liability for us (including the imposition of significant civil or criminal penalties), private litigation and/or adverse publicity that could negatively affect our business. For instance, California enacted the California Consumer Privacy Act ("CCPA") on June 28, 2018, which took effect on January 1, 2020. The CCPA creates individual privacy rights for California consumers and increases the privacy and security obligations of entities handling certain personal data. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. Further, the California Privacy Rights Act ("CPRA"), recently passed in California. The CPRA will impose additional data protection obligations on covered businesses, including additional consumer rights processes, limitations on data uses, new audit requirements for higher risk data, and opt outs for certain uses of sensitive data. It will also create a new California data protection agency authorized to issue substantive regulations and could result in increased privacy and information security enforcement. The majority of the provisions will go into effect on January 1, 2023, and additional compliance investment and potential business process changes may be required. The CCPA and the CPRA may increase our compliance costs and potential liability, and many similar laws have been proposed at the federal level and in other states.

In addition, we expect to obtain health information that is subject to privacy and security requirements under HITECH and its implementing regulations. The Privacy Standards and Security Standards under HIPAA establish a set of standards for the protection of individually identifiable health information by health plans, health care clearinghouses and certain health care providers, referred to as Covered Entities, and the business associates with whom Covered Entities enter into service relationships pursuant to which individually identifiable health information may be exchanged. Notably, whereas HIPAA previously directly regulated only Covered Entities, HITECH makes certain of HIPAA's privacy and security standards also directly applicable to Covered Entities' business associates. As a result, both Covered Entities and business associates are now subject to significant civil and criminal penalties for failure to comply with Privacy Standards and Security Standards. As part of our normal operations, we expect to collect, process and retain personal identifying information regarding patients, including as a business associate of Covered Entities, so we expect to be subject to HIPAA, including changes implemented through HITECH, and we could be subject to criminal penalties if we knowingly obtain or disclose individually identifiable health information in a manner that is not authorized or permitted by HIPAA. A data breach affecting sensitive personal information, including health information, also could result in significant legal and financial exposure and reputational damages that could potentially have an adverse effect on our business.

HIPAA requires Covered Entities (like many of our potential customers) and business associates, like us, to develop and maintain policies and procedures with respect to protected health information that is used or disclosed, including the adoption of administrative, physical and technical safeguards to protect such information. HITECH expands the notification requirement for breaches of patient-identifiable health information, restricts certain disclosures and sales of patient-identifiable health information and provides for civil monetary penalties for HIPAA violations. HITECH also increased the civil and criminal penalties that may be imposed against Covered Entities and business associates and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce HIPAA and its implementing regulations and seek attorney's fees and costs associated with pursuing federal civil actions. Additionally, certain states have adopted comparable privacy and security laws and regulations, some of which may be more stringent or broader in scope than HIPAA.

Internationally, many jurisdictions have or are considering enacting privacy or data protection laws or regulations relating to the collection, use, storage, transfer, disclosure and/or other processing of personal data, as well as certification requirements for the hosting of health data specifically. Such laws and regulations may include data hosting, data residency or data localization requirements (which generally require that certain types of data collected within a certain country be stored and processed within that country), data export restrictions, international transfer laws (which prohibit or impose conditions upon the transfer of such data from one country to another), or may require companies to implement privacy or data protection and security policies, enable users to access, correct and delete personal data stored or maintained by such companies, inform individuals of security breaches that affect their personal data or obtain individuals' consent to use their personal data. For example, European legislators adopted the European Union's General Data Protection Regulation (2016/679) ("GDPR"), which became effective on May 25, 2018, and are now in the process of finalizing the ePrivacy Regulation to replace the European ePrivacy Directive (Directive 2002/58/EC as amended by Directive 2009/136/EC). The GDPR, supplemented by national laws and further implemented through binding guidance from the European Data Protection Board, imposes more stringent European Union data protection requirements and provides for significant penalties for noncompliance. Further, following the United Kingdom's withdrawal from the European Economic Area ("EEA") and the European Union ("EU"), and the expiry of the transition period, companies have to comply with both the GDPR and the GDPR as incorporated into United Kingdom ("UK") national law (the "UK GDPR"), the latter regime having the ability to separately fine up to the greater of £17.5 million or 4% of global turnover. Our processing of large amounts of health data and other highly sensitive data (referred to as "special category data" in the GDPR/UK GDPR) exposes us to further compliance risk. We carry out data protection impact assessments ("DPIAs") in connection with our high-risk processing activities and implement appropriate safeguards and mechanisms to ensure adequate protection of the personal data, in order to comply with GDPR/UK GDPR.

Transfers of personal data between countries and regions we intend to operate in (e.g., the EU, the UK, the U.S. and Israel) are subject to stringent regulation under the GDPR/UK GDPR, and transfers of personal data out of the EEA/UK to third countries (that is, countries without an adequacy decision) must be made pursuant to a valid data transfer mechanism. Common mechanisms for transfers to third countries (including the U.S.) are the latest version of the EU's Standard Contractual Clauses pursuant to Regulation (EU) 2016/679, introduced in 2021 ("SCCs") and, for transfers out of the UK, the International Data Transfer Agreement ("IDTA") or the UK Addendum to the SCCs. In addition to the use of a valid data transfer mechanism, transfer impact assessments must now be carried out in respect of planned transfers of personal data from the EEA/UK to third countries including the U.S., and failure to do so may expose us to further compliance risk. The EU has, however, adopted an adequacy decision in respect of Israel and transfers of personal data can therefore be made from the EEA/UK without the use of additional safeguards.

Whilst the European Commission and the U.S. Department of Commerce had previously negotiated the EU-U.S. Privacy Shield ("Privacy Shield"), a self-certification mechanism for data transfers from the EEA to the U.S., the status of transfers of data from the EEA/UK to the U.S. is currently uncertain following the 2020 decision of the Court of Justice of the European Union ("CJEU") in Data Protection Commissioner v Facebook Ireland and Maximillian Schrems (commonly known as "Schrems II"). Prior to the Schrems II ruling, a company that was self-certified could import personal data from the EEA, provided it abided by the terms of the Privacy Shield. In Schrems II, however, the CJEU struck down the Privacy Shield, effective immediately. A replacement for the Privacy Shield has not yet been finalized (although the EU and the U.S. have reached an agreement in principle for a Trans-Atlantic Data Privacy Framework) and transfers must now be carried out pursuant to a valid data transfer mechanism and accompanied by transfer impact assessments.

Virtually every jurisdiction in which we expect to operate has established its own data security and privacy legal framework with which we must, and our target customers will need to, comply, including the rules and regulation mentioned above. We may also need to comply with varying and possibly conflicting privacy laws and regulations in other jurisdictions. As a result, we could face regulatory actions, including significant fines or penalties, adverse publicity and possible loss of business.

While we are preparing to implement various measures intended to enable us to comply with applicable privacy or data protection laws, regulations and contractual obligations, these measures may not always be effective and do not guarantee compliance. Any failure or perceived failure by us to comply with our contractual or legal obligations or regulatory requirements relating to privacy, data protection, or information security may result in governmental investigations or enforcement actions, litigation, claims, or public statements against us by consumer advocacy groups or others and could result in significant liability, cause our customers, partners or patients to lose trust in us, and otherwise materially and adversely affect our reputation and business. Furthermore, the costs of compliance with, and other burdens imposed by, the laws, regulations, and policies that are applicable to the businesses of our customers or partners may limit the adoption and use of, and reduce the overall demand for, our products and services. Additionally, if third parties we work with violate applicable laws, regulations, or agreements, such violations may put the data we have received at risk, could result in governmental investigations or enforcement actions, fines, litigation, claims, or public statements against us by consumer advocacy groups or others and could result in significant liability, cause our customers, partners or patients to lose trust in us, and otherwise materially and adversely affect our reputation and business. Further, public scrutiny of, or complaints about, technology companies or their data handling or data protection practices, even if unrelated to our business, industry or operations, may lead to increased scrutiny of technology companies, including us, and may cause government agencies to enact additional regulatory requirements, or to modify their enforcement or investigation activities, which may increase our costs and risks.

If we do not obtain and maintain international regulatory registrations, clearances or approvals for our products, we will be unable to market and sell our products outside of the United States.

Sales of our products outside of the United States are subject to foreign regulatory requirements that vary widely from country to country. Approval procedures vary among countries and can involve additional testing. The time required to obtain approval outside of the United States may differ substantially from that required to obtain FDA approval. In addition, the FDA regulates exports of medical devices from the United States. While the regulations of some countries may not impose barriers to marketing and selling our products or only require notification, others require that we obtain the clearance or approval of a specified regulatory body. Complying with foreign regulatory requirements, including obtaining registrations, clearances or approvals, can be expensive and time-consuming, and we may not receive regulatory clearances or approvals in each country in which we plan to market our products or we may be unable to do so on a timely basis. The time required to obtain registrations, clearances or approvals, if required by other countries, may be longer than that required for FDA clearance or approval, and requirements for such registrations, clearances or approvals may significantly differ from FDA requirements. If we modify our products, we may need to apply for additional regulatory clearances or approvals before we are permitted to sell the modified product. In addition, we may not continue to meet the quality and safety standards required to maintain the authorizations that we have received. If we are unable to maintain our authorizations in a particular country, we will no longer be able to sell the applicable product in that country.

Regulatory clearance or approval by the FDA does not ensure registration, clearance or approval by regulatory authorities in other countries, and registration, clearance or approval by one or more foreign regulatory authorities does not ensure registration, clearance or approval by regulatory authorities in other foreign countries or by the FDA. However, a failure or delay in obtaining registration or regulatory clearance or approval in one country may have a negative effect on the regulatory process in others.

Legislative or regulatory reforms in the United States or the EU may make it more difficult and costly for us to obtain regulatory clearances or approvals for our products or to manufacture, market or distribute our products after clearance or approval is obtained.

From time to time, legislation is drafted and introduced in Congress that could significantly change the statutory provisions governing the regulation of medical devices. In addition, the FDA may change its clearance and approval policies, adopt additional regulations or revise existing regulations, or take other actions, which may prevent or delay approval or clearance of our future products under development or impact our ability to modify our currently cleared products on a timely basis. Over the last several years, the FDA has proposed reforms to its 510(k) clearance process, and such proposals could include increased requirements for clinical data and a longer review period, or could make it more difficult for manufacturers to utilize the 510(k) clearance process for their products. For example, in November 2018, FDA officials announced forthcoming steps that the FDA intends to take to modernize the premarket notification pathway under Section 510(k) of the FDCA. Among other things, the FDA announced that it planned to develop proposals to drive manufacturers utilizing the 510(k) pathway toward the use of newer predicates. These proposals included plans to potentially sunset certain older devices that were used as predicates under the 510(k) clearance pathway, and to potentially publish a list of devices that have been cleared on the basis of demonstrated substantial equivalence to predicate devices that are more than 10 years old. In May 2019, the FDA solicited public feedback on these proposals. The FDA requested public feedback on whether it should consider certain actions that might require new authority, such as whether to sunset certain older devices that were used as predicates under the 510(k) clearance pathway. These proposals have not yet been finalized or adopted, and the FDA may work with Congress to implement such proposals through legislation. Accordingly, it is unclear the extent to which any proposals, if adopted, could impose additional regulatory requirements on us that could delay our ability to obtain new 510(k) clearances, increase the costs of compliance, or restrict our ability to maintain our current clearances, or otherwise create competition that may negatively affect our business.

More recently, in September 2019, the FDA finalized guidance describing an optional "safety and performance based" premarket review pathway for manufacturers of "certain, well-understood device types" to demonstrate substantial equivalence under the 510(k) clearance pathway by showing that such device meets objective safety and performance criteria established by the FDA, thereby obviating the need, in the case of applicable products, for manufacturers to compare the safety and performance of their medical devices to specific predicate devices in the clearance process. The FDA intends to develop and maintain a list device types appropriate for the "safety and performance based" pathway and will continue to develop product-specific guidance documents that identify the performance criteria for each such device type, as well as the testing methods recommended in the guidance documents, where feasible. The FDA may establish performance criteria for classes of devices for which we or our competitors seek or currently have received clearance, and it is unclear the extent to which such performance standards, if established, could impact our ability to obtain new 510(k) clearances or otherwise create competition that may negatively affect our business.

In addition, FDA regulations and guidance are often revised or reinterpreted by the FDA in ways that may significantly affect our business and our products. Any new statutes, regulations or revisions or reinterpretations of existing regulations may impose additional costs or lengthen review times of any future products or make it more difficult to obtain clearance or approval for, manufacture, market or distribute our products. We cannot determine what effect changes in regulations, statutes, legal interpretation or policies, when and if promulgated, enacted or adopted may have on our business in the future. Such changes could, among other things, require: additional testing prior to obtaining clearance or approval; changes to manufacturing methods; recall, replacement or discontinuance of our products; or additional record keeping.

The FDA's and other regulatory authorities' policies may change and additional government regulations may be promulgated that could prevent, limit or delay regulatory clearance or approval of our future products. We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action, either in the United States or abroad. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any marketing approval or clearance that we may have obtained and we may not achieve or sustain profitability.

On April 5, 2017, the European Parliament passed the Medical Devices Regulation (Regulation 2017/745), which repeals and replaces the EU Medical Devices Directive. Unlike directives, which must be implemented into the national laws of the EEA member states, the regulations would be directly applicable, i.e., without the need for adoption of EEA member state laws implementing them, in all EEA member states and are intended to eliminate current differences in the regulation of medical devices among EEA member States. The Medical Devices Regulation, among other things, is intended to establish a uniform, transparent, predictable and sustainable regulatory framework across the EEA for medical devices and ensure a high level of safety and health while supporting innovation.

The Medical Devices Regulation will, however, only become applicable three years after publication (in 2020). Once applicable, the new regulations will, among other things:

- strengthen the rules on placing devices on the market and reinforce surveillance once they are available;
- establish explicit provisions on manufacturers' responsibilities for follow-up regarding the quality, performance and safety of devices placed on the market;
- improve the traceability of medical devices throughout the supply chain to the end-user or patient through a unique identification number;
- set up a central database to provide patients, healthcare professionals and the public with comprehensive information on products available in the EU; and
- strengthened rules for the assessment of certain high-risk devices, which may have to undergo an additional check by experts before they are placed on the market.

These modifications may have an effect on the way we conduct our business in the EEA.

Healthcare reform laws could adversely affect our products and financial condition.

During the past several years, the U.S. healthcare industry has been subject to an increase in governmental regulation at both the federal and state levels. Efforts to control healthcare costs, including limiting access to care, alternative delivery models and changes in the methods used to determine reimbursement scenarios and rates, are ongoing at the federal and state government levels. From time to time, changes designed to contain healthcare costs have been implemented, some of which have resulted in decreased reimbursement rates for diagnostic imaging services that may impact our business.

In March 2010, former President Obama signed into law the Patient Protection and Affordable Care Act, and the Health Care and Education Reconciliation Act of 2010 (collectively, the "ACA"), which included measures that significantly changed the way healthcare is financed by both governmental and private insurers. While a primary goal of these healthcare reform efforts was to expand coverage to more individuals, it also involved additional regulatory mandates and other measures designed to constrain medical costs. The ACA significantly impacts the medical device industry. Among other things, the ACA:

- Imposes an annual excise tax of 2.3% on any entity that manufactures or imports medical devices offered for sale in the United States, which, through a series of legislative amendments, was suspended, effective January 1, 2016 and subsequently repealed altogether on December 20, 2019;
- Establishes a new Patient-Centered Outcomes Research Institute to oversee and identify priorities in comparative clinical effectiveness research in an effort to coordinate and develop such research; and
- Implements Medicare payment system reforms including a national pilot program on payment bundling to encourage hospitals, physicians and other providers to improve the coordination, quality and efficiency of certain healthcare services through bundled payment models.

In addition, the ACA and related healthcare reform laws, regulations and initiatives have significantly increased regulation of managed care plans and decreased reimbursement under Medicare managed care. Moreover, to alleviate budget shortfalls, states have reduced or frozen payments to Medicaid managed care plans. We cannot accurately predict the complete impact of these healthcare reform initiatives, but they could lead to a decreased demand for medical devices and other outcomes that could adversely impact our business and financial results.

Some of the provisions of the ACA have yet to be fully implemented, and certain provisions have been subject to judicial and Congressional challenges. For example, the Tax Cuts and Jobs Act enacted on December 22, 2017, or TCJA, eliminated the shared responsibility payment for individuals who fail to maintain minimum essential coverage under section 5000A of the Internal Revenue Code of 1986, commonly referred to as the "individual mandate," effective January 1, 2019. On December 14, 2018, a U.S. District Court Judge in the Northern District of Texas, or the Texas District Court Judge, ruled that the individual mandate is a critical and inseverable feature of the ACA, and therefore, because it was repealed as part of the Tax Cuts and Jobs Act, the remaining provisions of the ACA are invalid as well. This decision was subsequently appealed, and on December 18, 2019, the U.S. Court of Appeals for the Fifth Circuit affirmed the decision of the district court that the individual mandate, as amended by the TCJA, was unconstitutional. This decision was appealed to the U.S. Supreme Court, and on June 17, 2021, the Supreme Court held that state and individual plaintiffs did not have standing to challenge the individual mandate provision of the ACA; in so holding, the Supreme Court did not consider larger constitutional questions about the validity of this provision or the validity of the ACA in its entirety, and other efforts to challenge, repeal or replace the ACA, or portions thereof, will affect our future products or our business. It is possible that the ACA, as currently enacted or as it may be amended in the future, and other healthcare reform measures that may be adopted in the future, could have an adverse effect on our industry generally and on our ability to commercialize our future products and achieve profitability.

Disruptions at the FDA and other government agencies caused by funding shortages or global health concerns could hinder their ability to hire, retain or deploy key leadership and other personnel, or otherwise prevent new or modified products from being developed, cleared or approved or commercialized in a timely manner or at all, which could negatively impact our business.

The ability of the FDA to review and clear or approve new products can be affected by a variety of factors, including government budget and funding levels, statutory, regulatory, and policy changes, the FDA's ability to hire and retain key personnel and accept the payment of user fees, and other events that may otherwise affect the FDA's ability to perform routine functions. Average review times at the FDA have fluctuated in recent years as a result. In addition, government funding of other government agencies that fund research and development activities is subject to the political process, which is inherently fluid and unpredictable.

Disruptions at the FDA and other agencies may also slow the time necessary for new medical devices or modifications to cleared or approved medical devices to be reviewed and/or approved by necessary government agencies, which would adversely affect our business. For example, over the last several years, including for 35 days beginning on December 22, 2018, the U.S. government has shut down several times and certain regulatory agencies, such as the FDA, have had to furlough critical FDA employees and stop critical activities.

Separately, in response to the COVID-19 pandemic, on March 10, 2020 the FDA announced its intention to postpone most inspections of foreign manufacturing facilities, and on March 18, 2020, the FDA temporarily postponed routine surveillance inspections of domestic manufacturing facilities. Subsequently, on July 10, 2020 the FDA announced its intention to resume certain on-site inspections of domestic manufacturing facilities subject to a risk-based prioritization system. More recently, the FDA announced on February 2, 2022 that beginning on February 7, 2022, it would resume domestic surveillance inspections across all commodities and was proceeding with additional foreign surveillance inspections. Regulatory authorities outside the United States may adopt similar restrictions or other policy measures in response to the COVID-19 pandemic. If a prolonged government shutdown occurs, or if global health concerns continue to prevent the FDA or other regulatory authorities from conducting their regular inspections, reviews, or other regulatory activities, it could significantly impact the ability of the FDA or other regulatory authorities to timely review and process our regulatory submissions, which could have a material adverse effect on our business.

Risks Related to Employee Matters

Under applicable employment laws, we may not be able to enforce covenants not to compete and therefore may be unable to prevent our competitors from benefiting from the expertise of some of our former employees.

Our employment agreements generally include covenants not to compete. These agreements prohibit our employees, if they cease working for us, from competing directly with us or working for our competitors for a limited period. We may be unable to enforce these agreements under the laws of the jurisdictions in which our employees work at all or for a sufficient duration of time to prevent members of our management team from competing with us. For example, Israeli courts have required employers seeking to enforce covenants not to compete to demonstrate that the competitive activities of a former employee will harm one of a limited number of material interests of the employer, such as the secrecy of a company's confidential commercial information or the protection of its intellectual property. In Israel, if we cannot demonstrate that such an interest will be harmed, we may be unable to prevent our competitors from benefiting from the expertise of our former employees or consultants and our competitiveness may be diminished.

We may not be able to attract and retain the highly skilled employees we need to support our planned growth.

To continue to execute our business and our growth plan, we must attract and retain highly qualified personnel. Competition for these personnel is intense. We may not be successful in attracting and retaining qualified personnel. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business, financial condition, results of operations and future growth prospects could be severely harmed.

Risks Related to Owning Our Ordinary Shares

Our share price may be volatile, and you may lose all or part of your investment.

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

- actual or anticipated fluctuations in results of operations;
- actual or anticipated changes in our growth rate relative to our competitors, as well as announcements by us or our competitors of significant business developments, changes in relationships with our target customers, manufacturers or suppliers, acquisitions or expansion plans;
- failure to meet or exceed financial estimates and projections of the investment community or that we provide to the public, as well as variance in our financial performance from the expectations of market analysts;
- issuance of new or updated research reports or short reports by securities analysts or other market participants;
- share price and volume fluctuations attributable to inconsistent trading volume levels of our shares;
- additions or departures of key management or other personnel;
- our involvement in litigations and investigations, including the securities class-action, shareholder derivative actions and the SEC investigation;
- disputes or other developments related to proprietary rights, including patents, litigation matters, and our ability to obtain patent protection for our technology;
- announcement or expectation of additional debt or equity financing efforts;
- sales of our ordinary shares or other securities by us, our insiders or our other shareholders, or the perception that these sales may occur in the future;
- the trading volume of our ordinary shares;
- market conditions in our industry;
- changes in the estimation of the future size and growth rate of our markets; and
- general economic, market or political conditions in the United States or elsewhere.

In particular, the market prices of pre-commercial-stage companies like ours have been highly volatile due to factors, including, but not limited to:

- our ability to develop and commercialize our technology and future products or services;
- developments or disputes concerning our product's intellectual property rights;
- our or our competitors' technological innovations;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;
- announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures, capital commitments, new technologies or patents;
- failure to complete significant transactions or collaborate with vendors in manufacturing our product; and
- proposals for legislation that would place restrictions on the price of medical therapies.

These and other market and industry factors may cause the market price and demand for our ordinary shares to fluctuate substantially, regardless of our actual operating performance, which may limit or prevent investors from readily selling their ordinary shares and may otherwise negatively affect the liquidity of our ordinary shares. In addition, the stock market in general, and Nasdaq Global Market and emerging growth companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies. Such broad market fluctuations, and other factors (such as variations in quarterly and yearly operating results, general trends in the medical imaging industry, and changes in state, federal or other applicable regulations affecting us and our industry) may adversely affect the market price of our ordinary shares, if a market for them develops.

In the past, when the market price of shares has been volatile, holders of those shares have instituted securities class action litigation against the company that issued the shares. If any of our shareholders brought a lawsuit against us, we could incur substantial costs defending the lawsuit. Such a lawsuit could also divert resources and the time and attention of our management.

As a foreign private issuer, we are exempt from certain requirements that apply to domestic issuers and we are permitted to follow certain home country corporate governance practices instead of applicable SEC and Nasdaq requirements, which may result in less protection than is accorded to shareholders under rules applicable to domestic issuers.

We report under the Exchange Act as a non-U.S. company with foreign private issuer status. Because we qualify as a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the Exchange Act that are applicable to U.S. domestic public companies, including (1) the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act, (2) the sections of the Exchange Act requiring insiders to file public reports of their share ownership and trading activities and liability for insiders who profit from trades made in a short period of time and (3) the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specified information, although we intend to furnish comparable quarterly information on Form 6-K. In addition, foreign private issuers are not required to file their annual report on Form 20-F until 120 days after the end of each fiscal year, while U.S. domestic issuers that are accelerated filers are required to file their annual report on Form 10-K within 75 days after the end of each fiscal year and U.S. domestic issuers that are large accelerated filers are required to file their annual report on Form 10-K within 60 days after the end of each fiscal year. Foreign private issuers are also exempt from Regulation FD, which is intended to prevent issuers from making selective disclosures of material information.

In addition, as a foreign private issuer, we are permitted to follow certain home country corporate governance practices instead of those otherwise required under the listing rules of the Nasdaq Stock Market for domestic issuers. For instance, we follow home country practice in Israel with regard to, among other things, director nomination procedure, approval of compensation of officers, and quorum at shareholder meetings. In addition, we follow our home country law, instead of the listing rules of the Nasdaq Stock Market, which require that we obtain shareholder approval for certain dilutive events, such as for the establishment or amendment of certain equity based compensation plans, an issuance that will result in a change of control of the company, certain transactions other than a public offering involving issuances of a 20% or more interest in the company and certain acquisitions of the stock or assets of another company. As foreign private issuer we are also permitted to follow home country practice in Israel with regard to composition of the board of directors.

As a result of all of the above, you may not have the same protections afforded to shareholders of a company that is not a foreign private issuer.

We may lose our foreign private issuer status which would then require us to comply with the Exchange Act's domestic reporting regime and cause us to incur significant legal, accounting and other expenses.

As discussed above, we are a foreign private issuer and therefore we are not required to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act applicable to U.S. domestic issuers. We will remain a foreign private issuer until our board determines that we no longer meet the qualification set forth in Securities Act Rule 405 and Exchange Act Rule 3b-4, with such determinations to be made on an annual basis as of the end of our second fiscal quarter. In order to maintain our current status as a foreign private issuer, either (a) a majority of our ordinary shares must be either directly or indirectly owned of record by non-residents of the United States or (b)(i) a majority of our executive officers or directors must not be U.S. citizens or residents, (ii) more than 50 percent of our assets cannot be located in the United States and (iii) our business must be administered principally outside the United States. If we lose this status, we would be required to comply with the Exchange Act reporting and other requirements applicable to U.S. domestic issuers, which are more detailed and extensive than the requirements for foreign private issuers. We may also be required to make changes in our corporate governance practices in accordance with various SEC and Nasdaq rules. The regulatory and compliance costs to us under U.S. securities laws if we are required to comply with the reporting requirements applicable to a U.S. domestic issuer may be significantly higher than the costs we would incur as a foreign private issuer. As a result, we expect that a loss of foreign private issuer status would increase our legal and financial compliance costs and would make some activities highly time consuming and costly. We also expect that if we were required to comply with the rules and regulations applicable to U.S. domestic issuers, it would make it more difficult and expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These rules and regulations could also make it more difficult for us to attract and retain qualified members of our board of directors.

We have not paid dividends in the past and have no immediate plans to pay dividends.

We plan to reinvest all of our future earnings, to the extent we have earnings, in order to develop and commercialize our technology and products and to cover operating costs, finance operations and to otherwise become and remain competitive. We have never declared or paid any dividends on our ordinary shares and we do not plan to pay any cash dividends with respect to our securities in the foreseeable future. As we are a development-stage company with limited operating history, we may not be able to generate, at any time, sufficient surplus cash that would be available for distribution to the holders of our ordinary shares as a dividend. Therefore, you should not expect to receive cash dividends on the ordinary shares we are offering. Consequently, investors may need to rely on sales of their ordinary shares after price appreciation, which may never occur, as the only way to realize any future gains on their investment. In addition, the Companies Law imposes restrictions on our ability to declare and pay dividends. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Dividend Policy" for additional information. Payment of dividends may also be subject to Israeli withholding taxes. See "Item "10. Additional Information—E. Taxation—*Taxation of Our Shareholders—Dividends"* for additional information.

We incur significant increased costs as a result of operating as a public company that reports to the SEC and our management is required to devote substantial time to meet compliance obligations.

As a public company reporting to the SEC, we incur significant legal, insurance, director compensation, accounting and other expenses that we did not incur as a private company. We are subject to reporting requirements of the Exchange Act and the Sarbanes-Oxley Act, as well as rules subsequently implemented by the SEC that impose significant requirements on public companies, including requiring establishment and maintenance of effective disclosure and financial controls and changes in corporate governance practices. In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") imposes various other requirements on public companies. There are significant corporate governance and executive compensation-related provisions in the Dodd-Frank Act that may increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and may also place undue strain on our personnel, systems and resources. Our management and other personnel may need to devote a substantial amount of time to these compliance initiatives. In addition, we expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult and expensive for us to attract and retain qualified people to serve on our board of directors, our board committees or as executive officers.

We also incur costs associated with corporate governance requirements, including requirements under rules implemented by the SEC and the Nasdaq Global Market, and provisions of Israeli corporate law applicable to public companies. These rules and regulations have and will continue to increase our legal and financial compliance costs, introduce costs such as investor relations and stock exchange listing fees, and make some activities more time-consuming and costly. Our board and other personnel continue to devote a substantial amount of time to these initiatives. To the extent we are not in compliance with the Companies Law or Nasdaq Global Market rules, we may be subject to additional costs or delisting. We are continuously evaluating and monitoring developments with respect to these rules, and we cannot estimate the amount of additional costs we may incur or the timing of such costs.

We expect to incur additional expenses and devote increased management effort toward ensuring compliance with the auditor attestation requirements of Section 404 of the Sarbanes Oxley Act (and the rules and regulations of the SEC thereunder) because we no longer qualify as an "emerging growth company." We cannot estimate the amount of additional costs we may incur as a result of being a public company or the timing of such costs.

Pursuant to Section 404 of the Sarbanes-Oxley Act and the related rules adopted by the SEC and the Public Company Accounting Oversight Board, starting with this annual report, our management is required to report on the effectiveness of our internal control over financial reporting. To maintain the effectiveness of our disclosure controls and procedures and our internal control over financial reporting, we expect that we will need to continue enhancing existing, and implement new, financial reporting and management systems, procedures and controls to manage our business effectively and support our growth in the future. The process of evaluating our internal control over financial reporting requires an investment of substantial time and resources, including by our Chief Financial Officer and other members of our senior management. As a result, this process may divert internal resources and take a significant amount of time and effort to complete. In addition, we no longer qualify as an "emerging growth company" under the JOBS Act and lost the ability to rely on the exemptions related thereto discussed above and our independent registered public accounting firm must attest to the effectiveness of our internal control over financial reporting under Section 404. Irrespective of compliance with Section 404, any failure of our internal controls could have a material adverse effect on our stated results of operations and harm our reputation. As a result, we may experience higher than anticipated operating expenses, as well as higher independent auditor fees during and after the implementation of these changes. If we are unable to implement any of the required changes to our internal control over financial reporting effectively or efficiently or are required to do so earlier than anticipated, it could adversely affect our operations, financial reporting and/or results of operations and could result in an adverse opinion on internal controls from our independent auditors.

Shares eligible for future sale may adversely affect the market for our ordinary shares and the issuance of additional ordinary shares as a result of the exercise of our outstanding warrants and options will dilute the percentage ownership of our other shareholders.

From time to time, certain of our shareholders are eligible to sell all or some of their ordinary shares 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, non-affiliate shareholders may sell freely after six months subject only to the current public information requirement (which disappears after one year). Of the 52,080,400 ordinary shares outstanding as of March 31, 2022, approximately 42,308,506 ordinary shares have been registered under the Securities Act and are freely transferable by persons other than our "affiliates" without restriction or additional registration; the remaining shares outstanding have not been registered under the Securities Act and may be offered or sold only pursuant to an effective registration statement or pursuant to an available exemption from the registration requirements. As of March 31, 2022, approximately 46,263,964 of our ordinary shares are held by "non-affiliates" and are freely tradable without restriction pursuant to Rule 144. In addition, a certain shareholder has the ability to cause us to register the resale of its shares issuable upon exercise of certain warrants under the Registration Rights Agreement (as defined below). See "Item 10. Additional Information—C. Material Contracts" for a description of the registration rights. Any substantial sale of our ordinary shares pursuant to Rule 144 or pursuant to any resale prospectus may have a material adverse effect on the market price of our ordinary shares.

In addition, as of March 31, 2022, there were two outstanding warrants to purchase a total of 2,312,443 ordinary shares, with exercise prices ranging from $18.00 per share to $20.87 per share. As of March 31, 2022, there were 5,134,540 ordinary shares issuable upon the exercise of options to purchase ordinary shares outstanding under our 2019 Equity Incentive Plan (as defined below), at a weighted average exercise price of $12.17 per share, and 1,800,703 additional ordinary shares reserved for future issuance under our 2019 Equity Incentive Plan. The warrants are exercisable immediately and expire on various dates. More convertible securities may be granted in the future to the Company's officers, directors, employees or consultants or as part of future financings. The exercise of outstanding stock options and warrants will dilute the percentage ownership of the Company's other shareholders.

The purchase price of the ordinary shares may not reflect our actual value.

The price of our ordinary shares may not be indicative of our actual value or any future market price for our securities. This price may not accurately reflect the value of the ordinary shares or the value that potential investors will realize upon their disposition of ordinary shares. The price does not necessarily bear any relationship to our assets, earnings, book value per share or other generally accepted criteria of value.

If equity research analysts discontinue research or reports about us or our business or if they issue unfavorable commentary or downgrade our ordinary shares, or if other market participants such as short sellers issue unfavorable reports about us, the price of our ordinary shares could decline.

The trading market for our ordinary shares relies in part on the research and reports that equity research analysts publish about us and our business. The analysts' estimates are based upon their own opinions and are often different from our estimates or expectations. If our results of operations are below the estimates or expectations of public market analysts and investors, the price of our ordinary shares could decline. Moreover, the price of our ordinary shares could decline if one or more securities analysts downgrade our ordinary shares or if those analysts issue other unfavorable commentary or cease publishing reports about us or our business.

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting and concluded that our internal control over financial reporting was not effective as of December 31, 2021. If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, shareholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our ordinary shares.

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures are designed to prevent fraud. Our management is required to assess the effectiveness of our internal controls and procedures and disclose changes in these controls on an annual basis and our independent registered public accounting firm is required to attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404.

Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations. In addition, any testing by us conducted in connection with Section 404, or any subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our financial statements or identify other areas for further attention or improvement. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our ordinary shares.

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting and concluded that our internal control over financial reporting was not effective as of December 31, 2021 due to a lack of sufficient number of financial reporting personnel with an appropriate level of knowledge, experience and training commensurate with our financial reporting requirements, resulting in a failure to maintain an effective control environment and a failure of segregation of duties, and also concluded that our disclosure controls and procedures were not effective as of December 31, 2021 due to material weaknesses in our internal control over financial reporting, all as described in Item 15, "Controls and Procedures" of this annual report. As defined in Regulation 12b-2 under the Exchange Act, a "material weakness" is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual financial statements will not be prevented, or detected on a timely basis.

While management has continued the process of remediating the material weaknesses, as described in Item 15, "Controls and Procedures," if significant deficiencies or other material weaknesses are identified in our internal control over financial reporting that we cannot remediate in a timely manner, investors and others may lose confidence in the reliability of our financial statements and the trading price of our shares and ability to obtain any necessary equity or debt financing could suffer. The material weaknesses will not be considered remediated until we have completed implementing the necessary controls and applicable.

We have made, and will continue to make, changes in these and other areas. In any event, the process of determining whether our existing internal controls are compliant with Section 404 and sufficiently effective will require the investment of substantial time and resources, including by our chief financial officer and other members of our senior management. As a result, this process may divert internal resources and take a significant amount of time and effort to complete. In addition, we cannot predict the outcome of this process and whether we will need to implement remedial actions in order to implement effective controls over financial reporting. The determination of whether or not our internal controls are sufficient and any remedial actions required could result in us incurring additional costs that we did not anticipate, including the hiring of outside consultants. We may also fail to complete our evaluation, testing and any required remediation needed to comply with Section 404 in a timely fashion. Irrespective of compliance with Section 404, any additional failure of our internal controls could have a material adverse effect on our stated results of operations and harm our reputation. As a result, we may experience higher than anticipated operating expenses, as well as higher independent auditor fees during and after the implementation of these changes. If we are unable to implement any of the required changes to our internal control over financial reporting effectively or efficiently or are required to do so earlier than anticipated, it could adversely affect our operations, financial reporting or results of operations and could result in an adverse opinion on internal controls from our independent auditors.

Furthermore, if we are unable to certify that our internal control over financial reporting is effective and in compliance with Section 404, we may be subject to sanctions or investigations by regulatory authorities, such as the SEC or stock exchanges, and we could lose investor confidence in the accuracy and completeness of our financial reports, which could hurt our business, the price of our ordinary shares and our ability to access the capital markets.

We may be a passive foreign investment company ("PFIC") for U.S. federal income tax purposes, which could result in adverse U.S. federal income tax consequences to U.S. Holders of our ordinary shares.

A non-U.S. corporation will be a PFIC for any taxable year if either (1) at least 75% of its gross income for such year consists of certain types of passive income; or (2) at least 50% of the value of its assets (generally determined based on an average of the quarterly values of the assets) during such year is attributable to assets that produce passive income or are held for the production of passive income. For this purpose, cash and assets readily convertible into cash are categorized as passive assets and our goodwill and other unbooked intangibles will generally be taken into account in determining our asset value.

Although subject to uncertainty, we believe that it is likely that we were not classified as a PFIC for the taxable year that ended December 31, 2021. We believe, however, that we were technically a PFIC for the 2020 taxable year, and that we may again be classified as a PFIC in the future, which could result in adverse U.S. federal income tax consequences to U.S. shareholders. Our PFIC status for the current taxable year ending December 31, 2022 will not be determinable until after the close of the taxable year. There can be no assurance that we will not be a PFIC for the current or any future taxable year.

If we were classified as a PFIC for any taxable year during which a U.S. Holder (as defined below) holds our ordinary shares, certain adverse U.S. federal income tax consequences could apply to such U.S. Holder. See "Item 10. Additional Information—E. Taxation—U.S. Federal Income Tax Considerations."

Risks Related to Our Operations in Israel

Conditions in Israel could materially and adversely affect our business.

Our executive offices are located in Neve Ilan, Israel. In addition, a number of our officers and directors are residents of 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, as well as terrorist acts committed within Israel by hostile elements. In recent years, Israel has been engaged in sporadic armed conflicts with Hamas, an Islamist terrorist group that controls the Gaza Strip, with Hezbollah, an Islamist terrorist group that controls large portions of southern Lebanon, and with Iranian-backed military forces in Syria. Some of these hostilities were accompanied by missiles being fired from the Gaza Strip against civilian targets in various parts of Israel, and negatively affected business conditions in Israel. In addition, Iran has threatened to attack Israel, may be developing nuclear weapons and has targeted cyber-attacks against Israeli entities. In addition, Iran has threatened to attack Israel, may be developing nuclear weapons and has targeted cyber-attacks against Israeli entities. Iran also has a strong influence among extremist groups in the region, including Hamas in Gaza, Hezbollah in Lebanon and various rebel militia groups in 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. 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. 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.

We currently do not, and we do not expect to, carry any commercial insurance that covers losses resulting from events associated with war and terrorism. Although the Israeli government currently covers the reinstatement value of direct damages that are caused by terrorist attacks or acts of war, we cannot be assured that this government coverage will be maintained or, if maintained, that it will be sufficient to compensate us fully for damages incurred and the government may cease providing such coverage or the coverage might not suffice to cover potential damages. Any losses or damages incurred by us could have a material adverse effect on our business. Any armed conflicts or political instability in the region would likely negatively affect business conditions and could harm our results of operations.

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

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

The termination or reduction of tax and other incentives that the Israeli government provides to Israeli companies may increase our costs and taxes.

The Israeli government currently provides tax and capital investment incentives to Israeli companies, as well as grant and loan programs relating to research and development and marketing and export activities (see "Item 10. Additional Information—E. Taxation—Israeli Tax Considerations and Government Programs"). In recent years, the Israeli government has reduced the benefits available under these programs and the Israeli governmental authorities may in the future further reduce or eliminate the benefits of these programs. We may take advantage of these benefits and programs in the future; however, there can be no assurance that such benefits and programs will be available to us. If we qualify for such benefits and programs and fail to meet the conditions thereof, the benefits could be canceled and we could be required to refund any benefits we might already have enjoyed and become subject to penalties. Additionally, if we qualify for such benefits and programs and they are subsequently terminated or reduced, it could have an adverse effect on our financial condition and results of operations.

It may be difficult to enforce a U.S. judgment against us, our officers and directors named in this annual report on Form 20-F in Israel or the United States, or to assert U.S. securities laws claims in Israel or serve process on our officers and directors.

Many of our directors and officers are not residents of the United States and a significant portion of their and our assets are located outside the United States. Service of process upon us or our non-U.S. resident directors and 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 directors and officers 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. Additionally, Israeli courts might not enforce judgments obtained in the United States against us or our directors and officers, which may make it difficult to collect on judgments rendered against us or our directors and officers.

Moreover, an Israeli court will not enforce a non-Israeli 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), if its enforcement is likely to prejudice the sovereignty or security of the State of Israel, if it was obtained by fraud or in the absence of due process, if it is at variance with another valid judgment that was given in the same matter between the same parties, or if a suit in the same matter between the same parties was pending before a court or tribunal in Israel at the time the foreign action was brought.

Your rights and responsibilities as our shareholder will be governed by Israeli law, which may differ in some respects from the rights and responsibilities of shareholders of U.S. corporations.

We are incorporated under Israeli law. The rights and responsibilities of holders of our ordinary shares are governed by our amended and restated articles of association and the Companies Law. These rights and responsibilities differ in some respects from the rights and responsibilities of shareholders in typical U.S. corporations. In particular, pursuant to the Companies Law, each shareholder of an Israeli company has to act in good faith and in a customary manner in exercising his or her rights and fulfilling his or her obligations toward the company and other shareholders and to refrain from abusing his or her power in the company, including, among other things, in voting at the general meeting of shareholders on amendments to a company's articles of association, increases in a company's authorized share capital, mergers and certain transactions requiring shareholders' approval under the Companies Law. In addition, under Israeli law, a controlling shareholder of an Israeli company or a shareholder who knows that it possesses the power to determine the outcome of a shareholder vote or who has the power to appoint or prevent the appointment of a director or officer in the company or has other powers toward the company has a duty of fairness toward the company. However, Israeli law does not define the substance of this duty of fairness. There is little case law available in Israel to assist in understanding the implications of these provisions that govern shareholder behavior.

Our amended and restated articles of association contains exclusive forum provisions for certain claims, which could limit our shareholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our amended and restated articles of association provides that the federal district courts of the United States of America will, to the fullest extent permitted by law, be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act (the "Federal Forum Provision"). Our decision to adopt a Federal Forum Provision followed a decision by the Supreme Court of the State of Delaware holding that such provisions are facially valid under Delaware law. While there can be no assurance that U.S. federal or state courts or Israeli courts will follow the holding of the Delaware Supreme Court or determine that the Federal Forum Provision should be enforced in a particular case, application of the Federal Forum Provision means that suits brought by our shareholders to enforce any duty or liability created by the Securities Act must be brought in federal court and cannot be brought in state court. Section 27 of the Exchange Act creates exclusive federal jurisdiction over all claims brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder and the Federal Forum Provision does not apply to suits brought to enforce any duty or liability created by the Exchange Act. Accordingly, actions by our shareholders to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder must also be brought in federal court. Our shareholders will not be deemed to have waived our compliance with the federal securities laws and the regulations promulgated thereunder.

Any person or entity purchasing or otherwise acquiring or holding any interest in any of our securities shall be deemed to have notice of and consented to the Federal Forum Provision. This provision may limit our shareholders' ability to bring a claim in a judicial forum they find favorable for disputes with us or our directors, officers or other employees, which may discourage lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find the choice of forum provision contained in our amended and restated articles of association to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, operating results and financial condition.

Provisions of our amended and restated articles of association and Israeli law and tax considerations may delay, prevent or make difficult an acquisition of us, which could prevent a change of control and negatively affect the price of our ordinary shares.

Israeli corporate law regulates mergers, requires tender offers for acquisitions of shares if such acquisitions cause the acquirer to hold more than specified thresholds, requires special approvals for certain transactions involving directors, officers or significant shareholders and regulates other matters that may be relevant to these types of transactions. For example, under Israeli law, a merger may not be consummated unless at least 50 days have passed from the date that a merger proposal was filed by each merging company with the Israel Registrar of Companies and at least 30 days have passed from the date that the shareholders of both merging companies approved the merger.

Furthermore, Israeli tax considerations may make potential transactions unappealing to us or to our shareholders, especially for those shareholders whose country of residence for tax purposes does not have a tax treaty with Israel which exempts such shareholders from Israeli tax. For example, Israeli tax law does not recognize tax-free share exchanges to the same extent as U.S. tax law. With respect to mergers, Israeli tax law allows for tax deferral in certain circumstances but makes the deferral contingent on the fulfillment of a number of conditions, including, in some cases, a holding period of two years from the date of the transaction during which sales and dispositions of shares of the participating companies are subject to certain restrictions. Moreover, with respect to certain share swap transactions, the tax deferral is limited in time, and when such time expires, the tax becomes payable even if no disposition of the shares has occurred. In order to benefit from the tax deferral, a pre-ruling from the Israeli Tax Authority may be required.

These provisions of Israeli law and Israeli tax laws may delay, prevent or make difficult a merger with, or an acquisition of us, or all or a significant portion of our assets, which could prevent a change of control and may make it more difficult for a third party to acquire us, even if doing so would be beneficial to our shareholders. These provisions may limit the price that investors may be willing to pay in the future for our ordinary shares and therefore depress the price of our shares.

Our amended and restated articles of association provide that our directors (other than external directors) are elected on a staggered basis, such that a potential acquirer cannot readily replace our entire board of directors at a single annual general shareholder meeting.

Item 4. Information on the Company

A. History and Development of the Company

NANO-X IMAGING LTD was incorporated under the laws of the State of Israel on December 20, 2018 and commenced operations on September 3, 2019.

Substantially all of our assets at the time of commencement of our operations were acquired or assigned (the "Asset Purchase") from our predecessor company, Nanox Imaging PLC ("Nanox Gibraltar"), a Gibraltar public company, under an Asset Purchase Agreement, dated as of September 3, 2019 and as amended on December 3, 2019 and December 31, 2019, between Nanox Gibraltar and us. Pursuant to the Asset Purchase Agreement, substantially all of the assets of Nanox Gibraltar, including all patents, patent applications and all other intellectual property rights, but not including the shares of Nanox Japan, Inc., a wholly owned subsidiary of Nanox Gibraltar ("Nanox Japan (predecessor)"), were sold to the Company for an aggregate consideration of $13.3 million, reflecting the fair market value of the transferred assets, which was estimated to be $6.1 million (excluding cash) based on an independent valuation report, plus the cash balance less $200,000, which cash amount totaled $7.2 million as of the date of the Asset Purchase Agreement.

In January 2020, the board of directors of the Company and the board of directors and shareholders of Nanox Gibraltar approved the issuance of shares in accordance with the terms of the Asset Purchase Agreement described above. As a result, 1,109,245 of the Company's ordinary shares were issued to Nanox Gibraltar, representing an aggregate consideration of approximately $17.8 million, and the Company has no further obligations to Nanox Gibraltar under the Asset Purchase Agreement.

On November 2, 2021, the Company completed the acquisition of 100% of the shares of USARAD Holdings, Inc., a Delaware corporation ("USARAD"), pursuant to the terms of the Stock Purchase Agreement, dated October 25, 2021, among the Company, USARAD, Dr. Michael Yuz, other holders of capital stock of USARAD and holders of USARAD options. USARAD is a U.S.-based teleradiology company with over 300 U.S. certified radiologists in its network. At closing, the Company (through a wholly-owned subsidiary) purchased 100% of the shares of USARAD on a fully diluted basis for $7,300,000 in cash and 496,545 ordinary shares. In addition, upon the successful achievement of certain milestones related to profitability, EBITDA and other operational performance metrics, the Company undertook to pay additional cash consideration in the amount of up to $2,000,000 and stock consideration in the amount of up to $6,500,000 at a per share value determined by the average of: (i) the volume weighted average closing share price of the 30 trading days prior to the relevant milestone completion, and (ii) the volume weighted average closing share price of the 30 trading days ending on August 6, 2021.

On November 3, 2021, the Company completed the acquisition of the platform and other assets of MDWEB, pursuant to the terms of the Asset Purchase Agreement, dated October 21, 2021, between the Company and MDWEB, a USARAD-related company. Pursuant to the acquisition, we acquired the MDW platform, now known as the Nanox.MARKETPLACE, a decentralized marketplace connecting imaging facilities with radiologists. At closing, the Company issued 64,715 ordinary shares to MDWEB. In addition, upon the successful achievement of certain milestones related to technical integration of the Nanox.MARKETPLACE with the Nanox.CLOUD and achieving certain other operational targets, the Company undertook to pay additional stock consideration in the amount of up to $1,500,000 at a per share value determined by the average of: (i) closing price of the 30 trading days ending on the applicable milestone's achievement date: and (ii) the volume weighted average closing share price of the 30 trading days prior to the closing date.

On November 4, 2021, the Company consummated its purchase of 100% of the equity of Zebra Medical Vision Ltd., an Israeli company ("Zebra") pursuant to the terms of the Agreement and Plan of Merger, dated August 9, 2021, as amended, among the Company, Zebra and Perryllion Ltd., as representative of Zebra's equity holders. Zebra, now known as Nanox AI, is a leading medical AI developer, with eight FDA-cleared and 11 CE-marked AI solutions for medical imaging. At closing, the Company issued 3,249,142 ordinary shares of the Company and committed to issue 70,211 employee options to the equity holders of Zebra, which represented (a) the basic purchase price of $100,000,000; minus (b) certain transaction costs; plus (c) deferred closing consideration in the amount of $3,333,333 as a result of Zebra entering into a designated commercial agreement prior to closing; plus (d) $6,300,000 as a result of Zebra achieving a designated milestone of obtaining a new FDA clearance for its population health product. In addition, Zebra entered into one of the two additional designated commercial agreements within six months of the execution of the agreement, and, pursuant to the agreement, the Company will pay a deferred closing consideration in the amount of $3,333,333 in shares for such agreement. The deferred closing consideration will paid in the Company's shares in the amount of the relevant installment payment divided by the average closing price of the 30 trading days ending on the applicable agreement signing date. Further, if Zebra will have achieved the agreed milestones related to obtaining certain FDA clearances and security certifications, completing certain technology integration or achieving certain revenue and employee retention targets over the next three years, the Company undertook to pay additional consideration, by way of issuing additional ordinary shares of the Company to be calculated based on the number of milestones actually achieved and the respective consideration apportioned to each milestone. Assuming the achievement of all milestones, the additional consideration will be in the amount of up to $77,700,000. Each of these milestone installments would be paid in the Company's shares in the amount of the relevant installment payment divided by the average closing price of the 30 trading days ending on the applicable milestone's achievement date. Zebra's name was changed to Nanox AI Ltd. and it operates under the new name. On January 19, 2022, we issued 89,286 additional shares to the former shareholders of Nanox AI due to partial achievement of a milestone that occurred post-closing.

Our principal executive offices are located at Communications Center, Neve Ilan, Israel 9085000, and our telephone number is +972 02 5360360. Our website address is http://www.nanox.vision. The information contained therein or connected thereto shall not be deemed to be incorporated into this annual report on Form 20-F. Our agent for service of process in the United States is CT Corporation System.

Public Offerings

In August 2020, we completed our initial public offering of 10,555,556 ordinary shares at a public offering price of $18 per share, including 1,376,812 additional ordinary shares purchased by the underwriters at the public offering price, less the underwriting discount, pursuant to the exercise in full of their option to purchase additional ordinary shares. Our ordinary shares are listed on the NASDAQ Global Market under the symbol "NNOX."

On February 10, 2021, certain of our shareholders sold an aggregate of 3,091,635 ordinary shares in a public offering pursuant to an Underwriting Agreement by and among us, Cantor Fitzgerald & Co., acting as representative of the underwriters, and the selling shareholders named therein (the "Selling Shareholders"). We did not receive any of the proceeds from the sale of ordinary shares offered by the Selling Shareholders.

B. Business Overview

Overview

Early detection saves lives—and we at Nanox are focused on applying our proprietary medical imaging technology and solutions to make diagnostic medicine more accessible and affordable across the globe. We are developing a holistic imaging solution, which includes the Nanox System, comprised of the Nanox.ARC using our novel MEMs X-ray source technology, and the Nanox.CLOUD, a companion cloud software, integrated with AI solutions and teleradiology services. Our vision is to increase early detection of medical conditions that are discoverable by X-ray by improving access to imaging, reducing imaging costs and enhancing imaging efficiency, which we believe is key to increasing early prevention and treatment, improving health outcomes and, ultimately, saving lives.

Our imaging solution is designed as a modular open system, and we intend in the future to explore the expansion of the solution to include additional components, which may be developed by us or third parties.

Our holistic imaging solution is currently comprised of the following four principal components:

The Nanox System. As a first step to producing a new class of accessible and affordable medical imaging systems, we focused on identifying and developing a novel digital X-ray source, which we refer to as the Nanox.SOURCE. Our X-ray source is based on a novel digital MEMs semiconductor cathode that we believe can achieve the same functionalities as legacy X-ray analog cathodes, while allowing for lower-cost production than existing medical imaging systems. We have been developing this technology over nine years towards the goal of commercial applicability. This novel digital X-ray source is the basis of core technology in the imaging system we are developing, and we believe it also has the potential to replace the legacy X-ray source in other existing imaging systems. Our technology aims to disrupt medical imaging by providing accessibility and affordability on a global scale. Our goal is to enable medical institutions and other significant medical players to either employ our solutions as a closed end-to-end system or to adopt a modular approach to our technologies, by acquiring or licensing our different components and integrating our technologies into their specific product.

The Nanox System includes two integrated components—hardware (Nanox.ARC), a medical imaging system incorporating our novel digital X-ray source, and software (Nanox.CLOUD). We have developed a working prototype of the multi-source Nanox.ARC. Subject to receiving regulatory clearance, the version of the Nanox.ARC that we expect to introduce to the market will be a 3D tomosynthesis imaging system. Tomosynthesis is an imaging technique used for early detection, that is designed to produce a high-resolution, 3D, X-ray image reconstruction of the scanned human body part for review by a professional diagnostics expert. In parallel, we have developed, and continue to improve, the Nanox.CLOUD, a companion cloud-based software to which scanned images may be securely uploaded to the cloud system. By integrating the Nanox.CLOUD with the Nanox.ARC, we believe the Nanox System could provide a streamlined process and end-to-end medical imaging service, including services such as image repository, radiologist matching, online and offline diagnostics review and annotation, connectivity to diagnostic assistive AI systems, billing, monitoring and reporting.

If cleared by the FDA and/or similar regulatory agencies in other jurisdictions, we plan to market and deploy the Nanox System globally at a substantially lower cost than currently available medical imaging systems, such as legacy X-ray and Computerized Tomography ("CT") systems, because our digital X-ray source will allow the Nanox.ARC to have a simpler structure without the costly cooling equipment used in legacy X-ray systems or the complex rotating mechanism used in CT devices. See "—Our Technology—The Nanox System." We believe that the Nanox System could increase the accessibility and affordability of early-detection medical imaging systems worldwide, substantially reduce wait-times for imaging results and increase early detection rates compared to currently employed imaging process protocol.

We continue to implement a multi-step approach to the regulatory clearance process for the Nanox System. On April 1, 2021, we received clearance from the FDA to market our Nanox Cart X-Ray System, a single-source version of the Nanox.ARC. On June 17, 2021, we submitted a 510(k) premarket notification application to the FDA for the first version of our multi-source Nanox.ARC 3-D digital tomosynthesis system. On August 12, 2021, we received a request for additional information from the FDA concerning the first submission of our multi-source system. On January 10, 2022, we withdrew our first submission of our multi-source system. On January 12, 2022, we submitted to the FDA a Q-submission for the second version of our multi-source Nanox.ARC 3-D digital tomosynthesis system. The Q-submission program provides submitters an opportunity to have early collaboration and discussions about medical device submissions, through a request for feedback from and/or a meeting with the FDA regarding a potential or planned medical device submission and we believe that using this approach will assist to expedite and optimize the regulatory clearance process for the Nanox.ARC. The second version of the Nanox.ARC is an improved and enhanced version that was designed, among other things, to address certain deficiencies raised by the FDA during their review of the first submission from June 2021. We continue to communicate with the FDA and we expect the next step in this process to be the submission of a supplement to the Q-submission followed by a formal 510(k) application to the FDA for the multi-source Nanox.ARC. If cleared by the FDA and authorized by similar regulatory agencies in other jurisdictions, our goal is to finalize deployment of the initial 15,000 Nanox Systems by the end of 2024. In parallel, we are preparing for shipments of the first units of the Nanox System. See "Item 3. Key Information —D. Risk Factors—*Products utilizing our technology may need to be approved or cleared by the FDA and similar regulatory agencies worldwide. We may not receive, or may be delayed in receiving, the necessary approval or clearance for our future products, which would adversely affect business, financial condition, results of operations and prospects*."

We expect that the Nanox System will enable us to accumulate a significant number of medical images, which have the potential to be used by collaborators, such as medical AI-analytics companies, through machine learning algorithms to increase the probability of early disease detection.

Nanox.MARKETPLACE. Nanox.MARKETPLACE (formerly known as the MDW platform), which we acquired from MDWEB in November 2021, is our proprietary decentralized marketplace that connects imaging facilities with radiologists and enables radiologists to provide, and customers to obtain, remote interpretations of imaging data. The platform was designed by radiologists for the imaging industry. The radiologists connecting to Nanox.MARKETPLACE include those radiologists who are part of our network and provide teleradiology services through USARAD, as well as other radiologists, all of whom undergo an accreditation process that we perform and are required to be certified by the American Board of Radiology. Based primarily on customer location and area of specialization, radiologists will be matched to conduct the imaging interpretation. The radiologist receives payment through the platform from the customer upon the delivery of the imaging interpretation. The Nanox.MARKETPLACE service is currently offered on a standalone basis. In the future, we plan to incorporate the Nanox.MARKETPLACE into the Nanox System, such that images that were generated by the Nanox.ARC and uploaded to the Nanox.CLOUD, can be streamlined and referred through the Nanox.MARKETPLACE to radiologists for remote reading.

AI Imaging Solutions. Following our acquisition of Zebra, renamed Nanox AI, in November 2021, we offer FDA approved AI-based software imaging solutions to hospitals, health maintenance organizations ("HMOs"), integrated delivery networks ("IDNs"), pharmaceutical companies and insurers, that are designed to identify or predict undiagnosed or underdiagnosed medical conditions, through the mining of data included in images of existing CT scans. We currently offer AI imaging population health solutions aimed at identifying underlying osteoporosis and cardiovascular disease. We are also conforming these AI imaging population health solutions to be implemented as an additional service in the Nanox System, once deployed. With our AI imaging population health solutions, we aim to further our mission to enable preventative healthcare through early detection. We also continue to maintain certain legacy contracts for AI imaging triage solutions.

In addition, following the acquisition of Nanox AI, we have begun to develop an AI imaging solution that is designed to identify whether certain common abnormalities are presented in images generated by Nanox.ARC and to determine if follow up diagnostic imaging or treatment is required. This AI imaging solution is currently being developed for application in imaging of the chest and extremities. Ultimately, we expect to integrate this AI imaging solution, which we refer to as Robodiology, into the Nanox System. Subject to completion of the development and receipt of requisite regulatory approvals, we plan to offer this AI imaging solution as an optional service to our MSaaS partners.

Teleradiology Services. Following our acquisition of USARAD in November 2021, we offer teleradiology services to customers in the U.S. market and an additional seven countries by U.S.-based radiologists, certified by the American Board of Radiology. We offer imaging interpretation services for radiology practices, hospitals, medical clinics, diagnostic imaging centers, urgent care facilities and multi-specialty physician groups and USARAD contracts directly with these customers. In addition, we provide second opinion radiology readings, primarily to imaging centers. We have a network of over 300 independent radiologists, all of whom have undergone an accreditation process by us, and we provide our teleradiology services to over 500 imaging centers. We allocate images that we receive from our customers, through our picture archiving and documentation system, to radiologists in our network based on the radiologist's area of specialization. Payment is made by the customer directly to us monthly based on the number of monthly readings and we pay the radiologist a predetermined fixed fee per reading.

Currently, our teleradiology services are offered as a standalone product through USARAD. In the future, we plan to incorporate our teleradiology services as part of our Nanox System offering.

Limitation of Current Medical Imaging Solutions and Our Market Opportunity

The main categories of current medical imaging systems that use X-ray sources include legacy X-ray systems, CT, mammography, fluoroscopy and angiogram. The analog X-ray source used by these systems produces X-rays by accelerating electrons to high energies, causing them to hit a metal target from which the X-rays are emitted. This requires a significant amount of electrical energy to be transferred to the X-ray tube. Due to the heat generated by this process, one of the most complex mechanical challenges is cooling the analog X-ray source. In addition, for CTs, the mechanical structure is even more complex because the analog X-ray source needs to rotate in a heavy gantry at high speed. We believe these are key factors leading to the high cost and complexity of existing medical imaging systems, which in turn significantly limits the availability of medical imaging for early detection globally.

According to a report from the Pan American Health Organization and World Health Organization ("WHO") in 2012, approximately two-thirds of the world population did not have access to medical imaging. Further, many people with access to medical imaging face substantial wait times for scanning. For example, in Canada, access to medical imaging procedures is a growing problem with months of reported wait times for MRI and CT screening. Long wait times not only negatively impact patient outcomes but also add significant costs to the Canadian healthcare system each year due to delays in detection and treatment. Wait times for a CT scan can be longer than six weeks in Scotland, over 12 months in Ireland, and in the UK, tens of thousands of suspected cancer patients face month-long wait times to discover whether they have a particular illness due to delays in analyzing scans and X-rays.

In addition, most market participants, including medical imaging manufacturing companies, medical imaging providers and radiologists, among others, have not provided the same level of end-to-end medical imaging services. One of the reasons is that the scanning process is currently not integrated with the diagnostics process, which contributes to extended wait times for image diagnostics by experts.

According to a report of Fortune Business Insights from January 2022, the global medical imaging market size was $36.19 billion in 2020, and the market is expected to grow from $37.97 billion in 2021 to $56.53 billion in 2028 at a CAGR of 5.8% in the 2021-2028 period. The X-ray equipment segment held a dominant market share in 2020, accounting for 33.9% of the global medical imaging market share in such period. Further, according to such report, increasing use of advanced AI-enabled diagnostic equipment for the rapid diagnosis and predictive analysis in developed countries is one of the major factors anticipated to contribute to the rising product demand during the forecast period. Currently, only a handful of players operating in the market are providing AI-enabled imaging technologies to the healthcare industry.

The Nanox Ecosystem

The Nanox System

We are developing the Nanox System, which has two integrated components — hardware (Nanox.ARC) and software (Nanox.CLOUD). The Nanox.ARC, a 3D tomosynthesis imaging system, is designed to integrate our proprietary and novel digital X-ray source, known as Nanox.SOURCE. Our X-ray source is based on a novel digital MEMs semiconductor cathode that we believe can achieve the same functionalities as legacy X-ray analog cathodes, while allowing for lower-cost production than existing medical imaging systems. We have been developing this technology over nine years towards the goal of commercial applicability.

Our technology aims to disrupt the medical imaging market by providing accessibility and affordability on a global scale. Our goal is to enable medical institutions and other significant medical players to either employ our solutions as a closed end-to-end system or to adopt a modular approach to our technologies, by acquiring or licensing our different components and integrating our technologies into their specific product.

Legacy Analog X-ray Source and Limitations of Existing Medical Imaging Systems

The X-ray tube technology has essentially remained unchanged since its inception in 1895. For any type of imaging system to generate X-rays, the system must use X-ray tubes as a source for the X-rays. The X-ray tube converts electrical power into X-rays by accelerating electrons to high energies, causing them to hit a metal target from which the X-rays are emitted. X-rays can only be produced if the X-ray tube is energized, which has historically required a significant amount of electrical energy to be transferred to the X-ray tube. However, only a small amount of the energy deposited into the X-ray tube is actually converted into X-rays; the majority of the energy turns into heat. This is called a thermionic (heat-based) mode of operation where a metal filament needs to be heated up to approximately 2,000°C to generate the electron stream (a "cathode") that will hit a metal target (an "anode") to generate the photon-based X-ray stream resulting from that high-energy impact.

Heating the filament to approximately 2,000°C requires the mechanical cathode support systems to withstand high temperatures within a high vacuum, high voltage environment. Tungsten was introduced into the X-ray tube in 1903 for its properties of a high melting point and ductility. The tungsten filaments still used today are critical components of X-ray tubes, but they limit the lifetime of the X-ray tube due to the progressive evaporation of filament material under these high temperatures. At temperatures of up to 2,000°C, the filament evaporates in hot spots close to the peak temperature locations which over time can cause a catastrophic failure of the filament.

We believe that the use of the legacy analog X-ray source is one of the key factors for the high cost of existing medical imaging systems. The main categories of medical imaging systems that use X-ray sources include legacy X-ray systems, CT (3D cross-sectional 360° "slicing" X-ray imaging), mammography (2D and 3D breast X-ray imaging), fluoroscopy (real-time X-ray video imaging) and angiogram (blood vessels, contrast X-ray imaging). CT scanners, for example, are complex diagnostic imaging systems that use X-rays to take images of a patient's internal structures and organs. Due to the limitations of the analog X-ray source described above, general radiographic X-ray tubes are not well suited for use in a CT scanner. CT scanners instead use a specialized X-ray tube designed to withstand the excessive amount of heat produced by continuous energization. This X-ray tube is located in the gantry, which is the largest part of a CT scanner and consists of the X-ray detectors, the mechanical supports and the scanner housing. Due to the heat generated by this process, one of the most complex mechanical challenges is cooling the analog X-ray source while rotating it in a heavy gantry at high-speed. One solution used is the rotating anode, where a tungsten metal disk rotates at high revolutions per minute so the electron beam hits a different spot on the disk on a continuous basis to prevent the concentration of heat in one spot on the disk and reduce the likelihood of overheating or burning. In addition, CT scanners require a long continuous exposure time to create 3D images of the patient's body using multiple X-ray images, which means that the X-ray tube must be continually energized and that patients are continuously exposed to radiation throughout that period. As a result of these complexities, most high-quality X-ray tubes for a CT scanner weigh between approximately 50 and 100 kilograms with the cooling mechanism and generally cost up to $150,000 each.

Our Novel Digital X-ray Source

Realizing that the X-ray tube technology has essentially not changed in more than 100 years and remains a significant source of complexity and cost-driver of existing X-ray-based medical imaging systems, we developed a novel digital X-ray source that we believe addresses these drawbacks and will enable a new class of medical imaging systems that can be produced at a significantly lower cost than the existing systems.

Our technology has its roots in field emission display ("FED") technology. FED technology was originally developed by Sony with other technology partners, for television screens and monitors, offering a novel way of lighting screen pixels compared to traditional cathode-ray tubes that were based on a one-source electron gun beam. The field emission display innovation used multiple nano-scale electron guns to achieve a much higher quality image with significantly reduced motion blur effects. In 2009, after having invested substantial resources in the development of this technology for over a decade including through a joint venture called Field Emission Technologies, Inc. ("FET"), Sony ceased development of the project.

In 2009, FET dissolved and transferred certain assets to FET Japan Inc. ("FETJ"). Scientists on our team, who worked at FETJ, applied their expertise to develop non-display related applications, including our X-ray source technology. In 2011, our predecessor company acquired certain non-display related know-how from FETJ and certain members of the FETJ technical team joined us.

After acquiring the technology, we spent over eight years developing a digital X-ray source for the medical imaging industry that could be produced on a commercial scale. Our X-ray source is a MEMs-based semiconductor cathode that achieves electron emission by a non-thermionic low-voltage trigger to approximately 100 million nano-scale molybdenum cones that act as multiple electron "guns," instead of a single heated filament. The cathode is housed in a customized X-ray tube.

We believe our X-ray source has the following technological advantages over the analog X-ray source:

Reduced duration of radiation exposure. Our X-ray source uses a digital chip that is designed to provide better control and enables near-instantaneous on/off toggling of the electron beam. This source control also enables a precise "stop and start" operation, which we believe can potentially result in significantly reduced duration of radiation exposure compared to an analog X-ray source.

X-ray source KvP/mA decoupling. Our X-ray source is designed to create imaging using one X-ray source chip because there is complete independence and separation between the strength of X-ray penetration and the amount of photons for illumination (referred to as "KvP / mA"). KvP represents the speed of electrons that gives the X-ray its penetrating power, and higher KvP means the X-rays can penetrate higher density materials such as bones. mA represents the amount of photons or brightness levels of the X-ray image. For legacy X-ray sources, KvP / mA ratios were codependent in a linear relationship and each X-ray source could only produce one set of KvP / mA combinations dedicated for a particular use (for example, either tissue images or bone images, but not both simultaneously). We believe our X-ray source technology can produce multi-spectral imaging from one X-ray source, which allows for variable energy levels to be controlled during one scan. Therefore, one source chip can be used for multiple types of scans, such as head-scans, abdomen, mammography and angiograms, involving both soft and hard tissues at variable densities, simultaneously. We believe this multi-spectral imaging could also be applied to real-time video imaging. Our latest working prototype uses up to120 KvP / mA, and we intend to commercialize the multi-source Nanox.ARC with a range of 40 - 120 KvP / mA.

Longer lifetime. Our X-ray source is based on a field of multiple electron guns on our MEMs-based cathode that spread the load of electron generation among many "producers" compared to a single filament that heats to a high temperature in the analog X-ray tube. As a result, our digital X-ray source is designed to produce an electron beam from different locations on the chip towards the anode during each duty cycle without the need for the complex, high precision rotating mechanism. In addition, the near instant on/off toggling feature of our digital X-ray source is designed to allow us to reduce the duration of each operation. As a result, we believe our medical imaging system will have higher stability and a longer lifetime, with a longer mean time between failures

Simplified hardware structure. Because our chip-based X-ray source and tube are designed to be quickly triggered electronically, we are able to have multiple stationary-anode tubes arranged around the patient as opposed to one larger tube that rotates around the patient. We believe this could reduce the complexity and cost of the Nanox.ARC compared to legacy CT devices. This current approach to increase durability of the tungsten anode in imaging devices, the rotating anode mechanism requires both a significant increase in tube size and mechanical component cost to allow for the complex movements of the tube. In contrast, we believe by using our X-ray source we will be able to significantly reduce the size of X-ray tubes and simplify the structure of our medical imaging system.

We believe our X-ray source has the potential to replace the legacy X-ray source in other existing imaging systems, as well as the X-ray source in systems used in other industries, such as security scanners.

Nanox System

We have developed a working prototype of the multi-source Nanox.ARC, a medical device that integrates our proprietary and novel X-ray source. Subject to receiving regulatory clearance, the version of the multi-source Nanox.ARC that we expect to introduce to the market is expected to be a 3D tomosynthesis imaging system that produces a 3D reconstruction of the scanned human body part. The Nanox.ARC, using our X-ray source, is being designed to produce partial and full-body scans, with remote operation capability, and to have a full kVp/mA energy throughout range as per industry standards, multi-spectral imaging range, as well as quiet operation, cloud connectivity and standard compliance safety mechanisms. It is being designed for easy setup and operation with multiple stationary X-ray tubes arranged around the patient. The substantial majority of operational software that we anticipate will be used to run the Nanox.ARC will be cloud-computing based and integrated with the Nanox.CLOUD, as further explained below.

In addition to the Nanox.ARC, we have developed the Nanox.CLOUD, a companion cloud software that will allow for the delivery of medical screening as a service. With the Nanox.CLOUD, we anticipate that the high-cost components of existing medical imaging systems, such as analytics and computing software that are traditionally installed via multiple licenses on-premise and on a per-system basis, will become centralized through the cloud.

We believe this will significantly reduce on-going software and IT licensing costs and enable a wide range of functionalities, such as multiple AI diagnostics and remote support. By integrating the Nanox.CLOUD with the Nanox.ARC, we believe the Nanox System could provide a streamlined process and end-to-end medical imaging service, including services such as image repository, radiologist matching, online and offline diagnostics review and annotation, connectivity to diagnostic assistive AI systems, billing, monitoring and reporting.

We believe the Nanox System, if successfully developed, will streamline the entire medical screening process ranging from scanning to support diagnostics, and solve the bottleneck of imaging-to-diagnostics.

We also expect to be able to offer the Nanox System for a substantially lower cost than existing medical imaging systems, which we believe is key to achieving our goal of making early-detection medical imaging systems more accessible globally. We believe our novel X-ray source is crucial to our ability to substantially reduce the manufacturing cost of the Nanox.ARC. Our digital X-ray source generates X-ray radiation that is measurably identical in all key metrics to the X-ray radiation generated by existing analog X-ray sources, but without creating the high temperature that results from the filament used in the analog X-ray tube, thereby eliminating the need for the costly cooling equipment. In addition, our digital X-ray source is designed to enable the Nanox.ARC to have multiple stationary tubes arranged around the patient, which allows for a more simplified structure, as opposed to requiring the heavy, complex, high-precision rotating mechanisms used in legacy CT devices. As a result, we expect that if we achieve the expected scale, we will be able to offer the Nanox System at a substantially lower cost than the cost of existing medical imaging systems based on analog X-ray sources.

As we continue to develop the Nanox System, we continue to implement a multi-step approach to the regulatory clearance process. On June 17, 2021, we submitted a 510(k) premarket notification application to the FDA for the first version of our multi-source Nanox.ARC 3-D digital tomosynthesis system. On August 12, 2021, we received a request for additional information from the FDA concerning the first submission of our multi-source system. On January 10, 2022, we withdrew our first submission of our multi-source system. On January 12, 2022, we submitted to the FDA a Q-submission for the second version of our multi-source Nanox.ARC 3-D digital tomosynthesis system. The second version of the Nanox.ARC is an improved and enhanced version that was designed, among other things, to address certain deficiencies raised by the FDA during their review of the first submission from June 2021. We continue to communicate with the FDA and we expect the next step in this process to be the submission of a supplement to the Q-submission, followed by a formal 510(k) application to the FDA for the multi-source Nanox.ARC. If cleared by the FDA and authorized by similar regulatory agencies in other jurisdictions, our goal is to finalize deployment of the initial 15,000 Nanox Systems by the end of 2024. In parallel, we are preparing for shipments of the first units of the Nanox System. To date, we have not obtained feedback from the FDA regarding the regulatory pathways for the novel digital X-ray source or the Nanox.CLOUD.

If cleared by the FDA, we expect to commercialize the multi-source Nanox.ARC and we may seek alternatives for commercialization of our Nanox Cart X-Ray System.

We expect that the Nanox System will enable us to accumulate a significant number of medical images, which have the potential to be used by collaborators, such as medical AI-analytics companies, through machine learning algorithms to increase the probability of early disease detection.

Business Model

We plan to commercialize our X-ray source technology through three simultaneous business models: (i) the Subscription Model, (ii) the Sales Model and (iii) the Licensing Model. We expect the Subscription Model to be our primary business model for the X-ray source technology and the key vehicle to achieving our vision of increasing early detection of medical conditions that are discoverable by X-ray.

The Subscription Model (MSaaS Model)

The foundation of the Subscription Model is our integrated offering of the Nanox.ARC and the Nanox.CLOUD, which we refer to as the Nanox System. Under the Subscription Model, which we also refer to as the MSaaS model (Medical Software as a Service), we expect to sell the Nanox System, if cleared or approved by the requisite regulatory authorities, at low cost or to provide the system at no cost, and to receive a portion of the proceeds from each scan as the right-to-use licensing fee, and potentially additional fees for usage of the Nanox.MARKETPLACE, AI capability and teleradiology services, with the remaining amount allocated among our partners, including the local operators, radiologists, cloud storage providers, medical AI software providers and others, on a case by case basis. While the actual pricing charged by local operators may be greater than our suggested retail price, the retail price per scan in all markets other than the United States is still expected to be substantially less than the global average. In the United States, we expect the retail price to represent a significant reduction compared to the average cost of a CT scan. We expect the Nanox System will be operated by local operators independent from us, but we would contract with third parties to provide the day-to-day maintenance of the Nanox System.

While we believe our novel X-ray source could provide existing market participants with the paradigm shift needed for preventive healthcare disruption, we also believe existing market participants are not likely to undertake the change-leadership route and will be slow to adopt the MSaaS model. Accordingly, our goal is to produce and deploy approximately 15,000 Nanox Systems broadly across the globe by the end of 2024 to jumpstart the MSaaS-based medical imaging market, including in the United States and certain countries in Asia, Europe, Africa, Latin America and Australia. We estimate that effectively stimulating market interest in our Nanox System will require deploying 5,000 to 10,000 Nanox Systems. We believe that this strategy will help initiate market disruption and accelerate the adoption of our novel X-ray source technology by traditional industry leaders.

The Sales Model

In certain countries, such as China, we intend to commercialize our X-ray source technology using the Sales Model to accommodate specific local regulatory requirements. Under this model, we expect to sell the Nanox System, if cleared or approved by the requisite regulatory authorities, for a one-time charge. We expect this retail price to be higher than the upfront sales price under the Subscription Model but still substantially lower than the cost of existing medical imaging systems. If required by applicable regulatory requirements in any jurisdiction, we may enter into arrangements with third-party cloud vendors, on a case-by-case basis, which will be responsible for providing the cloud services (instead of the Nanox.CLOUD) and will be paid separately by the owner-operators of the Nanox Systems. In addition, we expect to contract with third-party service providers to provide maintenance services for the Nanox Systems at the owner-operators' own costs.

The Licensing Model (OEM Model)

While we believe the medical imaging industry will eventually migrate towards the recurring revenue-based MSaaS model, we expect certain leading market participants will be slower to adopt this model. For these market participants, we expect to provide an intermediate solution through which they will adopt our X-ray source technology for their existing systems. Under the Licensing Model, which we also refer to as the OEM (Original Equipment Manufacturer) model, we would be engaged to tailor our X-ray source to the specific systems of medical imaging device manufacturers or other X-ray device manufacturers or to license our X-ray source technology to them to develop new types of imaging systems for a one-time licensing fee upfront for the X-ray source, as well as recurring royalty payments for each system sold that incorporates our X-ray source. The licensees would be responsible for the operation of the medical imaging systems integrating our X-ray source. Although we expect to initially rely on the Licensing Model, in part, we view the Licensing Model as a transitional phase, aimed at maximizing the commercial value of our technology and strategic buy-in from market participants to our vision through partnership and commercial relationships.

FUJIFILM Corporation was the first medical imaging device manufacturer to participate in our licensing model. On May 21, 2019, Nanox Gibraltar, our predecessor company, entered into a Right of First Negotiation Agreement with FUJIFILM Corporation. Under the terms of such agreement, the parties agreed to exclusively negotiate in good faith the terms and conditions of a potential commercial agreement until December 31, 2019. The terms of the commercial agreement are intended to cover the exclusive, worldwide licensing of certain patents and know-hows related to mammography medical devices and solutions owned by us to FUJIFILM Corporation to develop, manufacture, market, distribute, operate and use mammography equipment and services (the "field of use"). Under the Right of First Negotiation Agreement, if such commercial agreement was not entered into by December 31, 2019, and if during a period of six months following such date (i.e., until June 30, 2020) we became involved in any negotiation to enter into an agreement for the grant of license of the patents covered by the agreement in the field of use to any third party, FUJIFILM Corporation had a right of first negotiation with respect to such proposed transaction under terms and conditions no less favorable to us than those proposed or offered by or to such third party. We assumed all of Nanox Gibraltar's obligations under the Right of First Negotiation Agreement upon the transfer of Nanox Gibraltar's assets to us. While a commercial agreement was not executed, we and FUJIFILM Corporation are continuing to collaborate towards the potential development by FUJIFILM Corporation of a future product based on our technology.

Nanox.MARKETPLACE

Nanox.MARKETPLACE (formerly known as the MDW platform), which we acquired from MDWEB in November 2021, is our proprietary decentralized marketplace that connects imaging facilities with radiologists and enables radiologists to provide, and customers to obtain, remote interpretations of imaging data. The platform was designed by radiologists for the imaging industry. The radiologists connecting to Nanox.MARKETPLACE include those radiologists who are part of our network and provide teleradiology services through USARAD, as well as other radiologists, all of whom undergo an accreditation process that we perform and are required to be certified by the American Board of Radiology. Based primarily on customer location and area of specialization, radiologists will be matched to conduct the imaging interpretation.

Nanox.MARKETPLACE has created a payments system through which the radiologist receives on demand payment from the customer, via the platform, upon the delivery of the imaging interpretation. The customer can order an image interpretation on an as-need basis, through the web-based platform, without any special hardware or technical knowledge.

The Nanox.MARKETPLACE service is currently offered on a standalone basis. In the future, we plan to incorporate the Nanox.MARKETPLACE into the Nanox System, such that images that were generated by the Nanox.ARC and uploaded to the Nanox.CLOUD, can be streamlined and referred through the Nanox.MARKETPLACE to radiologists for remote reading.

AI Imaging Solutions

Nanox AI (previously known as Zebra Medical) that we acquired in November 2021, has developed machine learning platforms, based on its database of over 500 million imaging scans, which facilitate the development of AI medical imaging solutions. Nanox AI has FDA approval for eight radiology AI solutions, CE mark in Europe for 11 radiology AI solutions and regulatory approvals in other countries for its radiology AI solutions. Nanox AI has been granted dozens of patents in the field of radiology AI. Nanox AI gathers underutilized image data from a CT scan and helps medical service providers focus on patients that, upon findings generated by use of our AI solutions, require additional medical attention.

Following our acquisition of Nanox AI, we offer FDA approved AI-based software imaging solutions to hospitals, HMOs, IDNs, pharmaceutical companies and insurers that are designed to identify or predict undiagnosed or underdiagnosed medical conditions, through the mining of data included in images of existing CT scans. We currently offer AI imaging population health solutions aimed at identifying underlying osteoporosis and cardiovascular disease. We are also conforming these AI imaging population health solutions to be implemented as an additional service in the Nanox System, once deployed. With our AI imaging population health solutions, we aim to further our mission to enable preventative healthcare through early detection. We also continue to maintain certain legacy contracts for AI imaging triage solutions.

In addition, following the acquisition of Nanox AI, we have begun to develop an AI imaging solution that is designed to identify whether certain common abnormalities are presented in images generated by Nanox.ARC and to determine if follow up diagnostic imaging or treatment is required. This AI imaging solution is currently being developed for application in imaging of the chest and extremities. Ultimately, we expect to integrate this AI imaging solution, which we refer to as Robodiology, into the Nanox System. Subject to completion of the development and receipt of requisite regulatory approvals, we plan to offer this AI imaging solution as an optional service to our MSaaS partners.

Teleradiology Services

Following our acquisition of USARAD in November 2021, we offer teleradiology services to customers in the U.S market as well as seven additional countries. We provide radiologic interpretations or reads for emergency, routine, and subspecialty care cases through the utilization of our scalable communications network, incorporating encrypted servers and broadband Internet connections with workflow management and clinical applications software. Our radiologists' network is comprised of U.S.-based radiologists, certified by the American Board of Radiology. We have a network of over 300 independent radiologists, all of whom have undergone an accreditation process by us and we provide our services to over 500 imaging centers. We allocate images that we receive from our customers, through our picture archiving and documentation system, to radiologists in our network based on the radiologist's area of specialization. Payment is made by the customer directly to us monthly based on the number of monthly readings and we pay the radiologist a predetermined fixed fee per reading.

We offer imaging interpretation services for radiology practices, hospitals, medical clinics, diagnostic imaging centers, urgent care facilities and multi-specialty physician groups and USARAD contracts directly with these customers. In addition, we provide second opinion radiology readings. We believe this service offers our customers a solution to improve service levels, streamline underlying practice economics and enhance physician efficiency without sacrificing the quality of patient care.

Currently, our teleradiology services are offered as a standalone product through USARAD. In the future, we plan to incorporate our teleradiology services as part of our Nanox System offering.

Sales and Marketing

X-Ray Technology. We plan to commercialize our X-ray technology using the three simultaneous business models described above broadly across the globe in the next few years, including in the United States and certain countries in Asia, Europe, Africa, Latin America, and Australia. Our sales and marketing strategy varies depending on specific geographical regions, as different regions generally require different marketing approaches.

In most countries, other than the United States, we expect to primarily market through local partnerships with strong national branding and operational market participants in the target region. These local partners would be engaged in deploying and operating our medical imaging systems, training and recruiting a local medical professional workforce to operate the systems and providing medical imaging diagnostics for the systems' scan results.

In the United States, we expect to deploy the Nanox System primarily through our local subsidiaries. In countries other than United States, we also expect to engage local value-added resellers or integrators in different geographic regions to facilitate the local integration of our systems with health maintenance organizations, electronic health record systems, payment methods and insurance coverage companies. We estimate that it will take approximately three to six months of integration and localization efforts before we can generate sales in a given region.

AI Solutions. We currently focus our sales and marketing efforts for our AI solutions in the U.S. and UK markets and target large hospitals, HMOs, IDNs, pharmaceutical companies and insurers.

Teleradiology Services and Nanox.MARKETPLACE. We currently focus our sales and marketing efforts for our teleradiology services and Nanox.MARKETPLACE in the U.S. market and target daytime costumers, which include urgent care facilities, stand-alone imaging facilities and outpatient imaging centers, as well as night-time and weekend customers, comprised of hospitals and community hospitals (state and local government).

Following the completion of our recent acquisitions, we are continuing to explore the potential synergies and the expansion of our offerings.

Manufacturing and Supply of the Nanox.ARC

We have optimized the MEMs proprietary manufacturing process and initially used our own equipment in the clean rooms located at the University of Tokyo to manufacture the MEMs X-ray chip. We recently commenced manufacture of the MEMs X-ray chips at our new fabrication facility in Korea, which is expected to meet our currently anticipated manufacturing needs.

We are currently evaluating and testing glass-based and ceramics-based X-ray tubes to determine which tubes will be used in the Nanox.ARC. Once a determination is made, we intend to enter into agreements with third-party manufacturers for such tubes based on, among other things, cost effectiveness. We also expect to rely on third-party manufacturers for the commercial production of the other components of the Nanox.ARC, if cleared or approved by the requisite regulatory authorities.

In May 2020, we entered into a three-year contract manufacturing agreement with FITI for mass production of the multi-source Nanox.ARC. Under the contract manufacturing agreement, FITI will negotiate and subcontract with other third parties for the commercial supply of the components of the Nanox.ARC in accordance with the pre-approved supplier list and on the terms to be agreed upon by both parties, except for the MEMs X-ray chip and X-ray tube. As we further expand our business in connection with the commercialization of our X-ray technology, we also expect to seek to engage alternative manufacturers of the Nanox.ARC.

However, due, in part, to travel restrictions as a result of the COVID-19 pandemic, we decided to manufacture the first Nanox.ARC units in Israel and commencing we engaged Dagesh to manufacture Nanox.ARC units in Israel on a purchase order basis. We expect that these units will be used for the acceptance tests under our MSaaS agreements, demonstrations, regulatory approvals and for the initial global deployment, among other purposes. We expect to enter into a formal agreement with Dagesh for the manufacture of these Nanox.ARC units.

MSaaS Agreements for the Nanox System

We have entered into 11 MSaaS agreements to deploy 6,500 Nanox Systems in 17 regions, including in Europe, South and Central America, Asia, Australia, New Zealand, Russia and Africa, as detailed in the table below. Under the terms of each agreement, we grant the other party a limited, non-transferable, exclusive, sub-licensable right to access and operate the Nanox System in the region indicated for such party. We undertake to provide the specified number of Nanox Systems to each entity as indicated in the table below based on agreed shipment schedules, subject to local regulatory approval and material compliance with acceptance test protocol (the "conditions precedent"). The other party undertakes to deploy the systems to provide a minimum number of scans per year (generally based on 7 scans per day and 23 days per month) on a pay-per-scan basis, and to pay a minimum annual fee (including payments to our partners) in the amount indicated in the table below. The MSaaS agreements require each of our counterparties to deliver to us a standby letter of credit or financial guarantee in the amount equal to the minimum annual fee in favor of us after receipt of the conditions precedent. However, there can be no guaranty that our counterparties will be able to obtain such letters of credit or financial guarantees.

The Nanox Systems provided under each agreement will remain our property, and the other party will only have a limited license to use the Nanox Systems. In addition, we must approve in writing any sublicense granted under this agreement. We undertake to provide billing, radiology and maintenance services and to provide training for a local medical professional workforce to operate the Nanox.ARC.

Each agreement will be in effect for multiple years, ranging from three to seven years from the date of the applicable agreement, and is renewable for an additional multi-year term with both parties' mutual consent as indicated in the table below. Each agreement may be terminated by notice of the non-breaching party in case of a material breach of a party's material obligations, or by either party in case of the bankruptcy or insolvency of the other party.

Entity	Date of MSaaS Agreement	Region	Number of Nanox Systems to be Provided	Minimum Annual Fee (approximate)	Initial Term	Renewal Term
The Gateway Group, Ltd.	February 11, 2020	Australia, New Zealand and Norway	1,000	$58 million	3 years	3 years
Golden Vine International Company, Ltd.	May 28, 2020	Taiwan and Singapore	500	Up to $29 million	5 years	5 years*
Promedica Bioelectronics s.r.l	May 29, 2020	Italy	500	$29 million	4 years	3 years
JSC Roel Group	May 29, 2020	Russian Federation	500	$12.6 million	5 years	5 years
Clarity Medical Solution, a division of "Grodnobioproduct" LLC	June 4, 2020	Belarus	100	$3.7 million	3 years	4 years
Gold Rush	June 16, 2020	South Africa	500	$15.5 million	3 years	3 years
LATAM Business Development Group Ltd.	July 6, 2020	Brazil	1,000	$4.8 million (9 million Letter of Credit) in Year 1 $14.5 million in Year 2 $24.2 million in Year 3***	6 years	3 years
APR 1998 S.L	July 25, 2020	Spain	420	$11.4 million	5 years	5 years**
SPI Medical	August 23, 2020	Mexico and Guatemala	630	$17.1 million****	7 years	N/A
Eileeno Pharma	July 6, 2021	Nigeria	1,000	$4.6 million in year 1 to $30.4 million in year 4	4 years	4 years
International Clinics	October 27, 2021	Chile, Peru and Bolivia	350	$2.0 million in year 1 to $9.5 million in year 4	4 years	4 years
TOTAL			6,500	Minimum of $187.5 million*****		

* The MSaaS Agreement with Golden Vine International Company, Ltd. may also be terminated by either party upon notice stipulating that the notifying party has come to the conclusion, based on market evidence, that there is no business merit for the Nanox.ARC in Taiwan or Singapore.

** The MSaaS Agreement with APR 1998 S.L. may also be terminated by the service provider at the end of a six-month trial period by sending within five days a formal notice to the Company if trial results are not satisfactory.

*** The enforceability of the standby letter of credit from LATAM Business Development Group Ltd. in our favor is also conditioned upon the parties finalizing within 90 days of the date of the agreement or prior to receipt of regulatory approval, in mutually agreed form, the terms and conditions of the statement of work, the system requirement specifications and the service level agreement.

**** According to the agreement, SPI issued a performance bond purchased from Aseguradora Aserta, S.A. de C.V., Grupo Financiero Aserta, a top financial institution of Mexico, in favor of us in the amount of approximately $17.1 million, which was effective through October 31, 2021 and guaranteed the exclusivity of the MSaaS agreement between SPI and us prior to the satisfaction of certain conditions, including receipt of regulatory approval and compliance with acceptance test protocol, and upon satisfaction of those conditions, was to be converted into a financial guarantee that guarantees the minimum annual service fee to us.

***** The total amount includes payments to be received by our partners. The total amount payable to us would be approximately $145 million excluding the payments to our partners.

We believe our MSaaS business model has the potential to expand the total size of the X-ray-based medical imaging market. We plan to measure the success of our MSaaS business model by annual capacity for Above-the-Line ("ATL") scans which represent the increased capacity of imaging care we can provide to people that originally had no meaningful access to medical imaging. As we expand our operations and deploy more units of the Nanox Systems in an increasing number of countries using the MSaaS model, we expect our ATL scans metric to increase accordingly.

Collaboration Agreements

We enter into collaboration agreements in the ordinary course of business.

For example, we previously entered into a collaboration agreement, dated September 8, 2019, with Hadasit Medical Research Services and Development Ltd., a wholly owned subsidiary of the Hadassah Medical Organization, to collaborate with respect to our medical imaging technology and resulting medical images devices, by way of (among other things) joint research and development projects.

In addition, on June 4, 2020, we entered into a collaboration agreement with SK Telecom, pursuant to which we and SK Telecom continue to explore and engage in good faith to develop a definitive agreement for the deployment of 2,500 Nanox Systems in South Korea and Vietnam, and we have established a wholly-owned subsidiary in South Korea with the support of SK Telecom for the purpose of manufacturing MEMs X-ray chips for the Nanox.ARC. The agreement has now expired according to its terms, but we continue to assess collaboration opportunities with SK Telecom.

We also entered into several non-exclusive collaboration agreements with certain AI partners and image transfer partners, which we may utilize to complement our in-house AI capabilities, including those developed by the companies we recently acquired in November 2021.

Given that the Nanox.CLOUD and the Nanox.MARKETPLACE are designed with the capability to receive scans from different imaging sources, in addition to the Nanox.ARC, we intend to explore additional collaboration opportunities in the near future. For example, we recently invested $1.0 million for approximately 1% of the shares of Remedi co Ltd. ("Remedi"), a Korean radiation specialist company in radiography and therapy based on X-ray components. Remedi is a privately owned company, and we have an ongoing collaboration in the development of the high voltage power supply for Nanox.ARC. We are in advanced negotiation with Remedi to explore the possibility of connecting Remedi's two-dimensional ("2D") imaging systems to the Nanox.CLOUD and the Nanox.MARKETPLACE, creating a mobile 2D X-ray system that enables remote readings of scans with AI-powered imaging analysis and a global teleradiology solution. Subject to the completion of the negotiation and successful integration of the 2D system, we aim to distribute this system to our MSaaS customers.

Competition

Several large companies, such as General Electric, Siemens, Philips, Hologic, Varian, Fuji, Toshiba and Hitachi currently dominate the medical imaging market. High regulatory, distribution, manufacturing and service-related long-term contractual costs represent significant barriers to entry for any new player. We expect that the existing market participants will remain key players in the future and we aim to form alliances with several of these leading market participants, including through licensing.

Over time, we anticipate that the evolution in the industry will bring new players into the market. Digital healthcare disruptors such as cloud computing companies or leading IT companies may enter the industry and we believe that they may become partners over time through our Subscription Model.

As a general matter, we view competition on two levels:

- Competing digital X-ray sources with same or better attributes; and
- Competing enterprises operating an MSaaS business model.

In terms of digital X-ray sources, the field emission display technology is known and a wide range of industry leaders have used it to attempt to create an alternative, digital source of X-ray. To our knowledge, the most well-known attempt to achieve a commercial grade, stable digital X-ray source was the use of carbon nano tubes ("CNT") as the base material for a potential field emission-based solution, and at least one company has recently commercialized an X-ray system based on a CNT solution and there are several other companies currently in the process of developing this technology.

In terms of the MSaaS business model, we currently seek a first-mover advantage by introducing the Subscription Model, as the main pre-requisite for this model is the low cost of the X-ray source (when manufactured at scale). However, the primary competition comes from established market participants. While in developing countries we are experiencing keen interest, the United States and other Western regions already have major market participants that are well entrenched in the market with strong political influence and the ability to delay deployment of our systems.

With respect to our AI imaging solutions, there are a number of companies that currently offer AI radiology solutions, such as Aidoc and VIZ.AI, which, to our knowledge, are focused on life threatening and urgent cases. In addition, legacy healthcare technology companies are expected in the future to increase development efforts in the field of AI imaging solutions. For example, Siemens Healthineers has developed AI-Rad Companion, which provides automatic post-processing of imaging datasets through AI-powered algorithms for Siemens CTs.

With respect to our teleradiology services, the teleradiology market is highly competitive, rapidly evolving, and fragmented, and is subject to changing technology and market dynamics. The market has recently experienced and is expected to continue to experience competitive pricing pressure and radiologist compensation pressure. We compete directly with both large and small-scale service providers who offer local, regional and national coverage operations. We believe that our principal competitors are Envision Physician Services and Radiology Partners. We compete to attract and retain relationships with customers and radiologists in different ways.

Security and Data Privacy

The Nanox System is being designed and developed with personal privacy, data security and protection in mind as a top priority for all development parties. Medical imaging information and other health information is highly personal and sensitive and thus regarded as a prime target for hacks and malicious theft. As part of our normal operations, we expect to collect, process and retain personal identifying information regarding patients.

We believe we will likely be subject to U.S. rules and regulations governing data protection, including HIPAA. See"—Government Regulation—Healthcare Regulatory Laws—Data Privacy and Security."

In addition, we believe we will likely be subject to the GDPR and UK GDPR to the extent that our business involves personal data of persons within the EEA and the UK. Data protection legislation, including the GDPR/UK GDPR, regulates the manner in which we may hold and communicate personal data of our employees and patients (including, in our case, sensitive health data). We are likely to be defined as a "Data Controller" with respect to the personal data of patients that we intend to collect and are therefore likely to be subject to a number of key legal obligations under the GDPR/UK GDPR. In addition to reflecting existing requirements that already existed under the old data protection regime, such as, among other things, requirements to provide users with a "fair processing notice" if we process their data, ensure that inaccurate data is corrected, only retain data for so long as is necessary and not transfer data outside the EEA/UK to jurisdictions which do not ensure an adequate level of protection of personal data without taking certain safeguards, the GDPR/UK GDPR also implemented new, more stringent operational and procedural requirements for our use of personal data. These include expanded prior information requirements in light of the transparency principle to tell patients how we may use their personal data, increased controls on profiling such persons, increased rights for patients to access, control and delete their personal data and mandatory data breach notification requirements. In addition, there are significantly increased administrative fines of the greater of €20 million and 4% of global turnover (as well as the right to compensation for financial or non-financial damages claimed by any individuals under Article 82 of the GDPR/UK GDPR). Further, following the United Kingdom's withdrawal from the European Economic Area and the European Union, and the expiry of the transition period, companies have to comply with both the GDPR and the UK GDPR, the latter regime having the ability to separately fine up to the greater of £17.5 million or 4% of global turnover.

Separate from, and in addition to, the GDPR/UK GDPR requirements, certification requirements for the hosting of health data will vary by jurisdiction (and may or may not apply to hosts of health data). As the Nanox System is projected to operate in various EEA countries, we may be required to comply with other national healthcare regulations or regulatory requirements. For example, in France, there is a procedure as of April 1, 2018, for hosts of health data to obtain a prior certification with the competent certification body.

We are dedicated to making our systems and software both HIPAA and GDPR/UK GDPR compliant. We intend to submit our systems to an independent external audit on a regular basis as required by HHS. We also intend to develop our privacy protocols to comply with the GDPR/UK GDPR. In addition, we are undertaking intendant measures to ensure a high-level of imaging data encryption, complete separation between the imaging data and personal information (anonymization) as well as three-factor authentication procedures during on-boarding and usage of the Nanox System. We also intend to undertake to perform periodic Pen-Tests by external cyber security professionals and publish the results of such audits publicly and without delay on our website and via public relations channels.

Government Regulation

The Nanox System and our operations will be subject to extensive regulation by the FDA, and other federal and state authorities in the United States, as well as comparable authorities in foreign jurisdictions. The Nanox.ARC will be subject to regulation as medical devices and radiation-emitting devices in the United States under the FDCA, as implemented and enforced by the FDA, and under comparable regulatory schemes in foreign jurisdictions.

FDA Regulation of Medical Devices

The FDA regulates the development, design, non-clinical and clinical research, manufacturing, safety, efficacy, labeling, packaging, storage, installation, servicing, recordkeeping, premarket clearance or approval, adverse event reporting, advertising, promotion, marketing and distribution, and import and export of medical devices to ensure that medical devices distributed within the United States are safe and effective for their intended uses or are substantially equivalent to a predicate device and otherwise meet the requirements of the FDCA.

FDA Premarket Clearance and Approval Requirements

Subject to certain exceptions, each medical device commercially distributed in the United States requires either FDA clearance of a 510(k) premarket notification, or approval of a PMA application. Under the FDCA, medical devices are classified into one of three classes—Class I, Class II or Class III—depending on the degree of risk associated with each medical device and the extent of manufacturer and regulatory control needed to ensure its safety and effectiveness. Class I includes devices with the lowest risk to the patient and are those for which safety and effectiveness can be assured by adherence to the FDA's General Controls for medical devices, which include compliance with the applicable portions of QSR, facility registration and product listing, reporting of adverse medical events and truthful and non-misleading labeling, advertising and promotional materials. Class II devices are subject to the FDA's General Controls, and special controls as deemed necessary by the FDA to ensure the safety and effectiveness of the device. These special controls can include performance standards, post-market surveillance, patient registries and FDA guidance documents.

While most Class I devices are exempt from the 510(k) premarket notification requirement, manufacturers of most Class II devices are required to submit to the FDA a premarket notification under Section 510(k) of the FDCA requesting permission to commercially distribute the device. The FDA's permission to commercially distribute a device subject to a 510(k) premarket notification is generally known as 510(k) clearance. Devices deemed by the FDA to pose the greatest risks, such as life sustaining, life supporting or some implantable devices, or devices that have a new intended use, or use advanced technology that is not substantially equivalent to that of a legally marketed device, are placed in Class III, requiring approval of a PMA. Some pre-amendment devices are unclassified, but are subject to the FDA's premarket notification and clearance process in order to be commercially distributed.

510(k) Clearance Marketing Pathway

We expect the Nanox.ARC will be a Class II device subject to premarket notification and clearance under section 510(k) of the FDCA. To obtain 510(k) clearance, we must submit to the FDA a premarket notification submission demonstrating that the proposed device is "substantially equivalent" to a predicate device already on the market. A predicate device is a legally marketed device that is not subject to premarket approval, i.e., a device that was legally marketed prior to May 28, 1976 (pre-amendments device), and for which a PMA is not required, a device that has been reclassified from Class III to Class II or I, or a device that was found substantially equivalent through the 510(k) process. The FDA's 510(k) clearance process usually takes from three to twelve months, but often takes longer. The FDA may require additional information, including clinical data, to make a determination regarding substantial equivalence. In addition, the FDA collects user fees for certain medical device submissions and annual fees and for medical device establishments. For fiscal year 2022, the standard user fee for a 510(k) premarket notification application is $12,745.

If the FDA agrees that the device is substantially equivalent to a predicate device currently on the market, it will grant 510(k) clearance to commercially market the device. If the FDA determines that the device is "not substantially equivalent" to a previously cleared device, the device is automatically designated as a Class III device. The device sponsor must then fulfill more rigorous PMA requirements, or can request a risk-based classification determination for the device in accordance with the "*de novo*" process, which is a route to market for novel medical devices that are low to moderate risk and are not substantially equivalent to a predicate device.

After a device receives 510(k) marketing clearance, any modification that could significantly affect its safety or effectiveness, or that would constitute a major change or modification in its intended use, will require a new 510(k) clearance or, depending on the modification, PMA approval or *de novo* reclassification. The FDA requires each manufacturer to determine whether the proposed change requires submission of a 510(k), a *de novo* request or a PMA in the first instance, but the FDA can review any such decision and disagree with a manufacturer's determination. If the FDA disagrees with a manufacturer's determination, the FDA can require the manufacturer to cease marketing and/or request the recall of the modified device until 510(k) marketing clearance or until PMA approval is obtained or a *de novo* request is granted. Also, in these circumstances, the manufacturer may be subject to significant regulatory fines or penalties.

Over the last several years, the FDA has proposed reforms to its 510(k) clearance process, and such proposals could include increased requirements for clinical data and a longer review period, or could make it more difficult for manufacturers to utilize the 510(k) clearance process for their products. For example, in November 2018, the FDA officials announced forthcoming steps that the FDA intends to take to modernize the premarket notification pathway under Section 510(k) of the FDCA. Among other things, the FDA announced that it planned to develop proposals to drive manufacturers utilizing the 510(k) pathway toward the use of newer predicates. These proposals included plans to potentially sunset certain older devices that were used as predicates under the 510(k) clearance pathway, and to potentially publish a list of devices that have been cleared on the basis of demonstrated substantial equivalence to predicate devices that are more than 10 years old. In May 2019, the FDA solicited public feedback on these proposals. The FDA requested public feedback on whether it should consider certain actions that might require new authority, such as whether to sunset certain older devices that were used as predicates under the 510(k) clearance pathway. These proposals have not yet been finalized or adopted, and the FDA may work with Congress to implement such proposals through legislation.

More recently, in September 2019, the FDA finalized guidance describing an optional "safety and performance based" premarket review pathway for manufacturers of "certain, well-understood device types" to demonstrate substantial equivalence under the 510(k) clearance pathway by showing that such device meets objective safety and performance criteria established by the FDA, thereby obviating the need, in the case of applicable products, for manufacturers to compare the safety and performance of their medical devices to specific predicate devices in the clearance process. The FDA maintains a list of device types appropriate for the "safety and performance based" pathway and will continue to develop product-specific guidance documents that identify the performance criteria for each such device type, as well as the testing methods recommended in the guidance documents, where feasible. Also in September 2019, the FDA finalized guidance describing its current approach to the "Special 510(k)" program, which provides an optional pathway for certain well-defined device modifications where a manufacturer modifies its own legally marketed device, and design control procedures produce reliable results that can form, in addition to other 510(k) content requirements, the basis for substantial equivalence.

PMA Approval Pathway

Class III devices require PMA approval before they can be marketed, although some pre-amendment Class III devices for which the FDA has not yet required a PMA are cleared through the 510(k) process. The PMA process is more demanding than the 510(k) premarket notification process. In a PMA, the manufacturer must demonstrate that the device is safe and effective, and the PMA must be supported by extensive data, including data from preclinical studies and human clinical trials. The PMA must also contain a full description of the device and its components, a full description of the methods, facilities and controls used for manufacturing and proposed labeling. Following receipt of a PMA, the FDA determines whether the application is sufficiently complete to permit a substantive review. If the FDA accepts the application for review, it has 180 days under the FDCA to complete its review of a PMA, although in practice, the FDA's review often takes significantly longer, and can take up to several years. An advisory panel of experts from outside the FDA may be convened to review and evaluate the application and provide recommendations to the FDA as to the approvability of the device. The FDA may or may not accept the panel's recommendation. In addition, the FDA will generally conduct a pre-approval inspection of the applicant or its third-party manufacturers' or suppliers' manufacturing facility or facilities to ensure compliance with the QSR. PMA devices are also subject to the payment of user fees, which for fiscal year 2022 includes a standard application fee of $374,858 and an annual establishment registration fee of $5,672.

The FDA will approve the new device for commercial distribution if it determines that the data and information in the PMA constitute valid scientific evidence and that there is reasonable assurance that the device is safe and effective for its intended use(s). The FDA may approve a PMA with post-approval conditions intended to ensure the safety and effectiveness of the device, including, among other things, restrictions on labeling, promotion, sale and distribution and collection of long-term follow-up data from patients in the clinical study that supported PMA approval or requirements to conduct additional clinical studies post-approval. The FDA may condition PMA approval on some form of post-market surveillance when deemed necessary to protect the public health or to provide additional safety and efficacy data for the device in a larger population or for a longer period of use. In such cases, the manufacturer might be required to follow certain patient groups for a number of years and to make periodic reports to the FDA on the clinical status of those patients. Failure to comply with the conditions of approval can result in material adverse enforcement action, including withdrawal of the approval.

Certain changes to an approved device, such as changes in manufacturing facilities, methods or quality control procedures, or changes in the design performance specifications, which affect the safety or effectiveness of the device, require submission of a PMA supplement. PMA supplements often require submission of the same type of information as a PMA, except that the supplement is limited to information needed to support any changes from the device covered by the original PMA and may not require as extensive clinical data or the convening of an advisory panel. Certain other changes to an approved device require the submission of a new PMA, such as when the design change causes a different intended use, mode of operation, and technical basis of operation, or when the design change is so significant that a new generation of the device will be developed, and the data that were submitted with the original PMA are not applicable for the change in demonstrating a reasonable assurance of safety and effectiveness. We do not expect any of our products to be marketed pursuant to a PMA.

Clinical Trials

Clinical trials are almost always required to support a PMA and are sometimes required to support a 510(k) submission. All clinical investigations of devices to determine safety and effectiveness must be conducted in accordance with the FDA's investigational device exemption ("IDE") regulations which govern investigational device labeling, prohibit promotion of the investigational device and specify an array of recordkeeping, reporting and monitoring responsibilities of study sponsors and study investigators. If the device presents a "significant risk" to human health, as defined by the FDA, the FDA requires the device sponsor to submit an IDE application to the FDA, which must become effective prior to commencing human clinical trials. If the device under evaluation does not present a significant risk to human health, then the device sponsor is not required to submit an IDE application to the FDA before initiating human clinical trials, but must still comply with abbreviated IDE requirements when conducting such trials. A significant risk device is one that presents a potential for serious risk to the health, safety or welfare of a patient and either is implanted, used in supporting or sustaining human life, substantially important in diagnosing, curing, mitigating or treating disease or otherwise preventing impairment of human health, or otherwise presents a potential for serious risk to a subject. An IDE application must be supported by appropriate data, such as animal and laboratory test results, showing that it is safe to test the device in humans and that the testing protocol is scientifically sound. The IDE will automatically become effective 30 days after receipt by the FDA unless the FDA notifies the company that the investigation may not begin. If the FDA determines that there are deficiencies or other concerns with an IDE for which it requires modification, the FDA may permit a clinical trial to proceed under a conditional approval.

Regardless of the degree of risk presented by the medical device, clinical studies must be approved by, and conducted under the oversight of, an Institutional Review Board ("IRB") for each clinical site. The IRB is responsible for the initial and continuing review of the IDE, and may pose additional requirements for the conduct of the study. If an IDE application is approved by the FDA and one or more IRBs, human clinical trials may begin at a specific number of investigational sites with a specific number of patients, as approved by the FDA. If the device presents a non-significant risk to the patient, a sponsor may begin the clinical trial after obtaining approval for the trial by one or more IRBs without separate approval from the FDA, but must still follow abbreviated IDE requirements, such as monitoring the investigation, ensuring that the investigators obtain informed consent and labeling and record-keeping requirements. Acceptance of an IDE application for review does not guarantee that the FDA will allow the IDE to become effective and, if it does become effective, the FDA may or may not determine that the data derived from the trials support the safety and effectiveness of the device or warrant the continuation of clinical trials. An IDE supplement must be submitted to, and approved by, the FDA before a sponsor or investigator may make a change to the investigational plan that may affect its scientific soundness, study plan or the rights, safety or welfare of human subjects.

During a study, the sponsor is required to comply with the applicable FDA requirements, including, for example, trial monitoring, selecting clinical investigators and providing them with the investigational plan, ensuring IRB review, adverse event reporting, record keeping and prohibitions on the promotion of investigational devices or on making safety or effectiveness claims for them. The clinical investigators in the clinical study are also subject to FDA regulations and must obtain patient informed consent, rigorously follow the investigational plan and study protocol, control the disposition of the investigational device and comply with all reporting and recordkeeping requirements. Additionally, after a trial begins, we, the FDA or the IRB could suspend or terminate a clinical trial at any time for various reasons, including a belief that the risks to study subjects outweigh the anticipated benefits.

Post-market Regulation

After a device is cleared or approved for marketing, numerous and pervasive regulatory requirements continue to apply. These include:

- establishment registration and device listing with the FDA;
- QSR requirements, which require manufacturers, including third-party manufacturers, to follow stringent design, testing, control, documentation and other quality assurance procedures during all aspects of the design and manufacturing process;

- labeling regulations and FDA prohibitions against the promotion of investigational products, or the promotion of "off-label" uses of cleared or approved products;

- requirements related to promotional activities;

- clearance or approval of product modifications to 510(k)-cleared devices that could significantly affect safety or effectiveness or that would constitute a major change in intended use of one of our cleared devices, or approval of certain modifications to PMA-approved devices;

- medical device reporting regulations, which require that a manufacturer report to the FDA if a device it markets may have caused or contributed to a death or serious injury, or has malfunctioned and the device or a similar device that it markets would be likely to cause or contribute to a death or serious injury, if the malfunction were to recur;

- correction, removal and recall 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 FDCA that may present a risk to health;

- the FDA's recall authority, whereby the agency can order device manufacturers to recall from the market a product that is in violation of governing laws and regulations; and

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

Our manufacturing processes are required to comply with the applicable portions of the QSR, which cover the methods and the facilities and controls for the design, manufacture, testing, production, processes, controls, quality assurance, labeling, packaging, distribution, installation and servicing of finished devices intended for human use. The QSR also requires, among other things, maintenance of a device master file, device history file and complaint files. As a manufacturer, we will be subject to periodic scheduled or unscheduled inspections by the FDA. Our failure to maintain compliance with the QSR requirements could result in the shut-down of, or restrictions on, our manufacturing operations and the recall or seizure of our products, which would have a material adverse effect on our business. The discovery of previously unknown problems with any of our products, including unanticipated adverse events or adverse events of increasing severity or frequency, whether resulting from the use of the device within the scope of its clearance or off-label by a physician in the practice of medicine, could result in restrictions on the device, including the removal of the product from the market or voluntary or mandatory device recalls.

The FDA has broad regulatory compliance and enforcement powers. If the FDA determines that we failed to comply with applicable regulatory requirements, it can take a variety of compliance or enforcement actions, which may result in any of the following sanctions:

- warning letters, untitled letters, fines, injunctions, consent decrees and civil penalties;

- recalls, withdrawals or administrative detention or seizure of our products;

- operating restrictions or partial suspension or total shutdown of production;

- refusing or delaying requests for 510(k) marketing clearance or PMA approvals of new products or modified products;

- withdrawing 510(k) clearances or PMA approvals that have already been granted;

- refusal to grant export approvals for our products; or

- criminal prosecution.

Teleradiology

The healthcare industry is highly regulated. Our ability to operate profitably will depend in part upon the ability of us, our affiliated radiologists, and our customers to obtain and maintain all necessary licenses and other approvals to comply with applicable healthcare regulations. We believe healthcare regulations will continue to change. Therefore, we monitor developments in healthcare law and we are likely to be required to modify our operations from time to time as the business and regulatory environment changes. Although we believe that we are operating in compliance with applicable federal and state laws we cannot assure you that review of our business by courts or regulatory authorities will not result in determination that could adversely affect our operations or that the healthcare regulatory environment will not change in way that restricts our operations. Future changes in healthcare regulation are difficult to predict and may constrain or require us to restructure our operations which could negatively impact our business and operating results.

Physician Licensure Laws. The practice of medicine including the practice of radiology and teleradiology is subject to state licensure laws regulations and approvals Physicians located in one state who provide professional medical services to patients located in another state via telemedicine system must ordinarily hold valid license to practice medicine in both the state where the physician is located and the state in which the patient is located. We have established a system for ensuring that our affiliated radiologists are appropriately licensed under applicable state law. If we are unable to obtain proper physician licenses or hospital credentials on behalf of our affiliated radiologists or if our affiliated radiologists lose those licenses or credentials our business financial condition and results of operations may be negatively impacted.

Corporate Practice of Medicine. Generally corporate practice of medicine laws prohibits anyone but duly licensed physician from exercising control over the medical judgments or decisions rendered by another physician. Given that general prohibition some states permit business corporation to hold directly or indirectly customer contracts for the provision of medical services including radiology and teleradiology and to own medical practice that provides such services provided that only physicians exercise control over the medical judgments or decisions of other physicians. Moreover, the laws of such states prohibit anyone but a physician who is duly licensed in such state from owning any interest in medical practice that is incorporated or doing business in such state or the state of incorporation. Failure to comply with these laws could have material and adverse consequences including the judicially sanctioned refusal of third-party payers to pay for services rendered, the absolute right of customers to immediately repudiate the contract for services, malpractice claims against the provider, and possibly the hospital based upon violation of statute designed to protect the public as well as civil or criminal penalties. We believe that we are following the corporate practice of medicine laws in each state in which our affiliated radiologists provide medical services. Each of these are duly licensed or qualified as a medical practice in the states where such license or qualification is required. We do not exercise control over the medical judgments or decisions of our affiliated radiologists. While we believe we follow the requirements of the corporate practice of medicine laws in each state where our affiliated radiologists provide services these laws and their interpretations are continually evolving and may change in the future. Moreover, these laws and their interpretations are generally enforced by state courts and regulatory agencies that have broad discretion in their enforcement. If our arrangements with our affiliated radiologists or our customers are found to violate state laws prohibiting the practice of medicine by general business corporations or fee splitting, our business financial condition and ability to operate in those states could be adversely affected.

Fee Splitting. Many states have also enacted laws prohibiting physicians from splitting fees derived from the practice of medicine with anyone else. We believe that the management administrative technical and other nonmedical services we provide to each of our affiliated radiologists for service fee does not constitute fee splitting. Our belief notwithstanding, these laws and their interpretations also vary from state to state and are also enforced by state courts and regulatory authorities that have broad discretion in their enforcement. If our arrangements with our affiliated radiologists or our customers are found to violate state laws prohibiting the practice of medicine by general business corporations or fee splitting our business financial condition and ability to operate in those states could be adversely affected.

Medicare and Medicaid Reimbursement Programs. As of December 31, 2021, all our affiliated radiologists are located within the United States and are therefore eligible to submit to Medicare and state Medicaid programs for reimbursement for services performed. Where our affiliated radiologists provide final reads that are reimbursable under these programs, our business model generally provides that we are still paid service fees by our customers who accept reassignment and bear the risk of loss of reimbursement when collecting from payers. As a result, our service fees do not fluctuate, or change based solely on changes in Medicare or Medicaid reimbursement levels. Medicare reimbursement rules generally provide that the proper Medicare carrier to pay physicians' claims is the Medicare carrier for the region in which the physician or practice providing the service is located rather than the Medicare carrier for the region in which the patient receiving the services is located. Many of our affiliated radiologists are located in a Medicare region that is different from the Medicare region in which the patients and treating hospitals are located. It may be necessary for our customers to enroll with additional Medicare carriers to properly submit claims for reimbursement. The Center for Medicare and Medicaid Services or CMS has stated that for certain interpretation services provided to certain customers, reimbursement will be based upon the location of the interpreting physician, yet that reimbursement will be made by the Medicare carrier for the region in which the patient and facility are located. Whether this policy will be expanded to other types of interpretation services and facilities is unclear. See "Risk Factors Medicare and Medicaid rules governing reassignment of payments could affect our customers' ability to collect fees for services provided by our affiliated radiologists and our ability to market our services to our customers."

Federal False Claims Act. The Federal False Claims Act provides in part that the federal government may bring lawsuit against any person whom it believes has knowingly presented or caused to be presented false or fraudulent request for payment from the federal government or who has knowingly made false statement or knowingly used false record to have claim approved. The Federal False Claims Act further provides that lawsuits brought under that act may be initiated in the name of the United States by an individual who was the original source of the allegations known as the relator. Actions brought under the Federal False Claims Act are sealed by the court at the time of filing. Under the Federal False Claims Act we may be liable if we or one of our customers submitted false claim. If we were found to have violated these rules and regulations and as result submitted or caused our customers to submit a false claim, any sanctions imposed under the Federal False Claims Act could result in substantial fines and penalties or exclusion from participation in federal and state healthcare programs which could have material adverse effect on our business and financial condition. If we are excluded from participation in federal or state healthcare programs our customers who participate in those programs could not do business with us. Federal regulatory and law enforcement authorities regularly review and enforce activities with respect to Medicare and Medicaid fraud and abuse regulations and other reimbursement laws and regulations including laws and regulations that govern our activities and the activities of teleradiologists. These increased enforcement activities may have direct or indirect adverse effect on our business financial condition and results of operations. Additionally, some state statutes contain prohibitions similar to and possibly even more restrictive than the Federal False Claims Act. These state laws may also empower state administrators to adopt regulations restricting financial relationships or payment arrangements involving healthcare providers under which person benefits financially by referring patient to another person. We believe that we are operating in compliance with these laws. However, if we are found to have violated such laws, our business results of operations and financial condition would be harmed.

Federal and State Anti-kickback Prohibitions. Various federal and state laws govern financial arrangements among healthcare providers. The federal anti-kickback law prohibits the knowing and willful offer payment solicitation or receipt of any form of remuneration in return for or with the purpose to induce the referral of Medicare Medicaid or other federal healthcare program patients or in return for or with the purpose to induce the purchase lease or order of items or services that are covered by Medicare Medicaid or other federal healthcare programs. Similarly, many state laws prohibit the solicitation of payment or receipt of remuneration in return for or to induce the referral of patients to private as well as government programs. Violation of these anti-kickback laws may result in substantial civil or criminal penalties for individuals or entities and/or exclusion from participating in federal or state healthcare programs. We believe that we are operating in compliance with applicable federal and state anti-kickback laws and that our contractual arrangements with our customers are structured in manner that is compliant with such laws. Enforcement of federal and state anti-kickback laws could affect our business operations or financial condition.

Physician Self-Referral Prohibitions. The federal physician self-referral statute known as the Stark Statute prohibits physicians from making referrals for certain designated health services including radiology services to any entity with which the physician has financial relationship unless there is an exception in the statute that allows the referral. The entity that receives a prohibited referral from a physician may not submit the bill to Medicare for that service. Federal courts have ruled that violation of the Stark statute as well as violation of the federal anti-kickback law described above can serve as the basis for Federal False Claims Act suit. Many state laws prohibit physician referrals to entities with which the physician has financial interest or require that the physician provide the patient notice of the physician's financial relationship before making the referral. Violation of the Stark statute can result in substantial civil penalties for both the referring physician and any entity that submits claim for healthcare service made pursuant to prohibited referral. We believe that all our customer arrangements are in compliance with the Stark statute. However, these laws could be interpreted in manner inconsistent with our operations. Federal or state self-referral regulation could impact our arrangements with certain customers.

Medicare Anti-Markup Rule. CMS has certain anti-markup rules relating to diagnostic tests paid for by the Medicare program. The anti-markup rules are generally applicable where physician or other supplier bills for the technical component or professional component of diagnostic test that was ordered by the physician or other supplier or ordered by party related to such physician or other supplier through common ownership or control and the diagnostic test is performed by physician that does not share practice with the billing physician or other supplier. If the anti-markup rule applies to diagnostic test, then the reimbursement provided by Medicare to billing physician or other supplier for that transaction may be limited. Because our affiliated radiologists do not order diagnostic tests and no party under common control with either us or our affiliated radiologists orders diagnostic, tests we believe that the anti-markup rule does not apply to the professional services our affiliated radiologists perform. However, this rule could be subject to an interpretation that affects the amounts either we or our customers may be reimbursed by Medicare for professional diagnostic interpretations.

Health Insurance Portability and Accountability Act of 1996. HIPAA authorizes the imposition of civil money penalties against entities that employ or enter contracts with individuals or entities who have been excluded from participation in the Medicare or Medicaid programs. We perform background checks on our affiliated radiologists, and we do not believe that we engage or contract with any excluded individuals or entities. However, finding that we have violated this provision of HIPAA could have material adverse effect on our business and financial condition. HIPAA also establishes several separate criminal penalties for making false or fraudulent claims to insurance companies and other non-governmental payers of healthcare services. These provisions are intended to punish some of the same conduct in the submission of claims to private payers as the Federal False Claims Act covers in connection with governmental health programs. We believe that our services have not historically been provided in way that would place either our clients or ourselves at risk of violating the HIPAA anti-fraud statutes including those in which we may be considered to receive an indirect reimbursement because of the reassignment by us to our customers of the right to collect for final reads. We have entered into agreements, and may in the future enter into agreements with hospitals that are subject to an integrity order by the U.S Department of Health and Human Services Office of the Inspector General, or HHS-OIG, that requires the hospital to ensure that each subcontractor to the hospital fully complies with HIPAA and the terms of the integrity order, including written policies and procedures assuring compliance and subjects each subcontractor to audit at the determination of the HHS-OIG. We could be vulnerable to prosecution under these statutes if any of our customers deliberately or recklessly submits claims that contain false misleading or incomplete information. In addition, the administrative simplification provisions of HIPAA require the promulgation of regulations establishing national standards for among other things, certain electronic healthcare transactions the use and disclosure of certain individually identifiable patient health information and the security of the electronic systems maintaining this information. These are commonly known as the HIPAA transaction and code set standards privacy standards and security standards respectively. The administrative provisions of HIPAA direct the federal government to adopt national electronic standards for automated transfer of certain healthcare data among healthcare payers plans and providers. HIPAA is designed to enable the entire healthcare industry to communicate electronic data using single set of standards. We are a covered entity under HIPAA and as such we must operate in compliance with the electronic transaction code standards, privacy standards, and security standards. We are also a business associate under HIPAA because we perform services for or on behalf of other covered entities. We have developed policies, procedures. and systems for handling patient health information that we believe, are following the requirements of HIPAA.

Radiological Devices

We and our products will also be regulated by the FDA under the Electronic Product Radiation Control provisions of the FDCA because the Nanox.ARC contains radiation emitting components, and because we assemble these components during manufacturing and service activities. The Electronic Product Radiation Control provisions require radiation-producing products to comply with certain regulations and applicable performance standards. Manufacturers are required to certify in product labeling and reports to the FDA that their products comply with all necessary standards as well as maintain manufacturing, testing and sales records for their products. The Electronic Product Radiation Control provisions also require manufacturers to report product defects and affix appropriate labeling to covered products. Failure to comply with these requirements could result in enforcement action by the FDA, which can include any of the sanctions described above.

Healthcare Regulatory Laws

Within the United States, our products and our customers will be subject to extensive regulation by a wide range of federal and state agencies that govern business practices in the medical device industry. These laws include federal and state anti-kickback, fraud and abuse, false claims, transparency and anti-corruption statutes and regulations. Internationally, other governments also impose regulations in connection with their healthcare reimbursement programs and the delivery of healthcare items and services.

U.S. federal healthcare fraud and abuse laws will generally apply to our activities, among other reasons because we expect that our products will be covered under federal healthcare programs such as Medicare and Medicaid. The Anti-Kickback Statute is particularly relevant because of its broad applicability. Specifically, the Anti-Kickback Statute prohibits persons from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in exchange for, or to induce, either the referral of an individual, or the furnishing, arranging for or recommending a good or service for which payment may be made in whole or part under federal healthcare programs, such as the Medicare and Medicaid programs. Almost any financial interaction with a healthcare provider, patient or customer will implicate the Anti-Kickback Statute. Statutory exceptions and regulatory safe harbors protect certain interactions if specific requirements are met. However, only those interactions that represent fair market value exchanges generally are protected by a safe harbor or exception. The government can exercise enforcement discretion in taking action against unprotected activities. Further, a person or entity does not need to have actual knowledge of the Anti-Kickback Statute or specific intent to violate it in order to have committed a violation. In addition, the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal False Claims Act or federal civil money penalties statute. Penalties for Anti-Kickback Statute violations may include both criminal penalties such as imprisonment and civil sanctions such as fines, imprisonment and possible exclusion from Medicare, Medicaid and other federal healthcare programs. Exclusion would mean that diagnostic tests using our products would no longer be eligible for reimbursement under federal healthcare programs.

Many states have adopted laws similar to the Anti-Kickback Statute. Some of these state prohibitions apply to referral of patients for healthcare items or services reimbursed by any payor, not only federal healthcare programs. Insurance companies may also bring a private cause of action for treble damages against a manufacturer for a pattern of causing false claims to be filed under the federal Racketeer Influenced and Corrupt Organizations Act.

Another development affecting the healthcare industry is the increased use of the federal Civil False Claims Act and, in particular, actions brought pursuant to the False Claims Act's "whistleblower" or "qui tam" provisions. The False Claims Act imposes liability on any person or entity that, among other things, knowingly presents, or causes to be presented, a false or fraudulent claim for payment by a federal healthcare program. The qui tam provisions of the False Claims Act allow a private individual to bring actions on behalf of the federal government alleging that the defendant has submitted a false claim to the federal government, and to share in any monetary recovery. In recent years, the number of suits brought against healthcare providers by private individuals has increased dramatically. In addition, various states have enacted false claim laws analogous to the Civil False Claims Act, although many of these state laws apply where a claim is submitted to any third-party payor and not merely a federal healthcare program.

The federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, among other things, created two new federal crimes: healthcare fraud and false statements relating to healthcare matters. The HIPAA healthcare fraud statute prohibits, among other things, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, including private payors. A violation of this statute is a felony and may result in fines, imprisonment and/or exclusion from government-sponsored programs. The HIPAA false statements statute prohibits, among other things, knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement or representation in connection with the delivery of or payment for healthcare benefits, items or services. A violation of this statute is a felony and may result in fines and/or imprisonment. Similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statutes or specific intent to violate them in order to have committed a violation.

Laws and regulations have also been enacted by the federal government and various states to regulate the sales and marketing practices of medical device and pharmaceutical manufacturers. The laws and regulations generally limit financial interactions between manufacturers and healthcare providers, require pharmaceutical and medical device companies to comply with voluntary compliance standards issued by industry associations and the relevant compliance guidance promulgated by the U.S. federal government and/or require disclosure to the government and/or public of financial interactions (so-called "sunshine laws"). Many of these laws and regulations contain ambiguous requirements or require administrative guidance for implementation. Manufacturers must adopt reasonable interpretations of requirements if there is ambiguity and those interpretations could be challenged. Given the lack of clarity in laws and their implementation, our activities could be subject to the penalty provisions of the pertinent federal and state laws and regulations.

Coverage and Reimbursement

Over the past few years, the growth rate of advanced imaging volumes has slowed in part due to additional patient-related cost-sharing programs and an increasing trend of third-party payors intensifying their utilization management efforts, for example, through benefit managers who require prior authorizations to control the growth rate of imaging services generally. We expect that these trends will continue.

By way of example, in the United States, the Protecting Access to Medicare Act of 2014 required CMS, in conjunction with medical specialty societies, to adopt AUC for certain advanced diagnostic imaging services, including MRI, CT, nuclear medicine (including position emission tomography). Beginning in 2022, payment will be made to the furnishing professional for an applicable advanced diagnostic imaging service only if the claim indicates that the ordering professional consulted a qualified clinical decision support mechanism, as identified by HHS, as to whether the ordered service adheres to the applicable AUC. Applicable settings include physician offices, hospital outpatient departments, including emergency departments, ambulatory surgical centers and independent diagnostic testing facilities. Advanced imaging services ordered by certain physicians identified as having outlier-ordering partners will be subject to prior authorization for applicable imaging services provided to Medicare beneficiaries. The outlier methodology used by CMS will be subject to future notice and comment rulemaking before the prior authorization component is implemented. We cannot predict the full impact of this project.

Third-party payors may impose limits on coverage or reimbursement for diagnostic imaging services, including denying reimbursement for tests that do not follow recommended diagnostic procedures or can only be billed using an unlisted or miscellaneous code. To the extent our customers will depend on third-party payors, unfavorable coding, coverage and reimbursement policies may constrict the profit margins of our provider customers, which may force us to lower our fees to attract and retain customers. If we are required to request new billing codes that more precisely identify and describe our imaging services, coverage is limited or reimbursement rates are inadequate, a healthcare provider might find it financially unattractive to own our diagnostic imaging systems. It is possible that third-party payor coding, coverage and reimbursement policies will affect the need or prices for our products in the future, which could significantly affect our financial performance and our ability to conduct our business.

Healthcare Reform

In the United States and certain foreign jurisdictions, there have been, and we expect there will continue to be, a number of legislative and regulatory changes to the healthcare system. In March 2010, the ACA was signed into law and substantially changed the way healthcare is financed by both governmental and private insurers in the United States. The ACA contains a number of provisions, including those governing enrollment in federal healthcare programs, reimbursement adjustments and fraud and abuse changes. Additionally, the ACA imposed, among other things, a new federal excise tax on the sale of certain medical devices, which, through a series of legislative amendments, was suspended, effective January 1, 2016, and subsequently repealed altogether on December 20, 2019, provided incentives to programs that increase the federal government's comparative effectiveness research and implemented payment system reforms including a national pilot program on payment bundling to encourage hospitals, physicians and other providers to improve the coordination, quality and efficiency of certain healthcare services through bundled payment models.

Since its enactment, there have been judicial and Congressional challenges to certain aspects of the ACA, and we expect there will be additional challenges and amendments to the ACA in the future. By way of example, in 2017, Congress enacted the TCJA, which eliminated the tax-based shared responsibility payment imposed by the ACA on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the "individual mandate." On December 14, 2018, a Texas U.S. District Court Judge ruled that the individual mandate is a critical and inseverable feature of the ACA, and therefore, because it was repealed as part of the TCJA, the remaining provisions of the ACA are invalid as well. On December 18, 2019, the U.S. Court of Appeals for the 5th Circuit ruled that the individual mandate was unconstitutional. This decision was appealed to the U.S. Supreme Court, and on June 17, 2021, the Supreme Court held that state and individual plaintiffs did not have standing to challenge the individual mandate provision of the ACA; in so holding, the Supreme Court did not consider larger constitutional questions about the validity of this provision or the validity of the ACA in its entirety. It is unclear how these decisions, future decisions, subsequent appeals, and other efforts to repeal and replace the ACA will impact the ACA.

Other legislative changes have been proposed and adopted in the United States since the ACA was enacted, including aggregate reductions of Medicare payments to providers of 2% per fiscal year, which was temporarily suspended from May 1, 2020 through March 31, 2022, followed by a 1% reduction in effect from April 2022 through June 2022 with the full 2% reduction resuming thereafter, and reduced payments to several types of Medicare providers. We believe the overall escalating cost of medical products and services being paid for by the government and private health insurance has led to, and will continue to lead to, increased pressures on the healthcare and medical device industry to reduce the costs of products and services.

Data Privacy and Security

Medical device companies may be subject to U.S. federal and state and foreign health information privacy, security and data breach notification laws, which may govern the collection, use, disclosure and protection of health-related and other personal information. In the United States, HIPAA imposes privacy, security and breach reporting obligations with respect to individually identifiable health information upon "covered entities" (health plans, health care clearinghouses and certain health care providers), and their respective business associates, individuals or entities that create, receive, maintain or transmit protected health information in connection with providing a service for or on behalf of a covered entity. HIPAA and its respective implementing regulations, including the final omnibus rule published on January 25, 2013, impose specified requirements relating to the privacy, security and transmission of individually identifiable health information. HIPAA mandates the reporting of certain breaches of health information to HHS, affected individuals and if the breach is large enough, the media. Entities that are found to be in violation of HIPAA as the result of a breach of unsecured protected health information ("PHI"), a complaint about privacy practices or an audit by HHS, may be subject to significant civil, criminal and administrative fines and penalties and/or additional reporting and oversight obligations if required to enter into a resolution agreement and corrective action plan with HHS to settle allegations of HIPAA non-compliance. The Health Information Technology For Economic and Clinical Health Act also increased the civil and criminal penalties that may be imposed against covered entities, business associates and possibly other persons, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce the federal HIPAA laws and seek attorney's fees and costs associated with pursuing federal civil actions.

Even when HIPAA does not apply, according to the Federal Trade Commission or the FTC, failing to take appropriate steps to keep consumers' personal information secure constitutes unfair acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C § 45(a). The FTC expects a company's data security measures to be reasonable and appropriate in light of the sensitivity and volume of consumer information it holds, the size and complexity of its business, and the cost of available tools to improve security and reduce vulnerabilities. Individually identifiable health information is considered sensitive data that merits stronger safeguards. The FTC's guidance for appropriately securing consumers' personal information is similar to what is required by the HIPAA Security Rule.

In addition, certain state and non-U.S. laws, such as the GDPR/UK GDPR, govern the privacy and security of health information in certain circumstances, some of which are more stringent or broader in scope than HIPAA and many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts. Further, "business associates," defined as independent contractors or agents of covered entities that create, receive, maintain or transmit protected health information in connection with providing a service for or on behalf of a covered entity, are also subject to certain HIPAA privacy and security standards. Failure to comply with these laws, where applicable, can result in the imposition of significant civil and/or criminal penalties and private litigation. For example, California enacted the CCPA, which went into effect January 1, 2020. The CCPA, among other things, creates new data privacy obligations for covered companies and provides new privacy rights to California residents, including the right to opt out of certain disclosures of their information. The CCPA also creates a private right of action with statutory damages for certain data breaches, thereby potentially increasing risks associated with a data breach. Although the law includes limited exceptions, including for PHI maintained by a covered entity or business associate, it may regulate or impact our expected processing of personal information depending on the context. Further, the California Privacy Rights Act (CPRA), recently passed in California. The CPRA will impose additional data protection obligations on covered businesses, including additional consumer rights processes, limitations on data uses, new audit requirements for higher risk data, and opt outs for certain uses of sensitive data. It will also create a new California data protection agency authorized to issue substantive regulations and could result in increased privacy and information security enforcement. The majority of the provisions will go into effect on January 1, 2023, and additional compliance investment and potential business process changes may be required. In Europe, the GDPR went into effect in May 2018 and introduces strict requirements for processing the personal data of individuals within the EEA. Companies that must comply with the GDPR face increased compliance obligations and risk, including more robust regulatory enforcement of data protection requirements and potential fines for noncompliance of up to €20 million or 4% of the annual global revenues of the noncompliant company, whichever is greater. Relatedly, following the United Kingdom's withdrawal from the European Economic Area and the European Union, and the expiry of the transition period, companies have to comply with both the UK GDPR and the GDPR, the latter regime having the ability to separately fine up to the greater of £17.5 million or 4% of global turnover. The State of Israel has also implemented data protection laws and regulations, including the Israeli Protection of Privacy Law of 1981.

Foreign Regulation

As we plan to market and deploy our Nanox System broadly across the globe, we will be subject to regulations applicable to medical and radiation-emitting devices in the jurisdictions in which we operate, which regulations vary among countries. While some countries' regulations may not impose barriers to marketing and selling our products or only require certain notification, others may require that we obtain the clearance, registration or approval of a specified regulatory body. Process for obtaining such clearance, registration or approvals may involve additional testing and time. Furthermore, complying with foreign regulatory requirements can be expensive and time-consuming, and we will need to seek for regulatory clearances or approvals in each country in which we plan to market our products.

In addition, depending on the country, if we modify our products, we may need to apply for additional regulatory clearances or approvals before we are permitted to sell the modified product. Also, for maintaining our authorizations in a particular country, we will need to continue meeting quality and safety standards required in such country.

Finally, while regulatory clearance or approval by the FDA does not ensure registration, clearance or approval by regulatory authorities in other countries, registration or regulatory clearance or approval in one country, or denial thereof, may have effects on the regulatory process in others.

Legal Proceedings

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business.

In September 2020, two securities class action complaints were filed in the United States District Court for the Eastern District of New York against the Company and certain current officers and a director, which were subsequently consolidated and captioned as *White v. Nano-X Imaging Ltd. et al*, Case No. 1:20-cv-04355, alleging violations of securities laws on behalf of all persons and entities that purchased or otherwise acquired the Company's publicly traded securities between August 21, 2020 and September 15, 2020, and seeking unspecified damages. On December 7, 2020, proposed lead plaintiffs submissions were fully briefed and remain outstanding. The Company has not accrued any losses other than legal fees with connection with this lawsuit. The Company's position is that this lawsuit has no merit and it intends to defend its position vigorously.

On October 5, 2021, a class action complaint was filed in the United States District Court for the Eastern District of New York against the Company and certain of its officers, captioned *McLaughlin v. Nano-X Imaging Ltd. et al*, Case No. 1:21-cv-05517. On January 25, 2022, Magistrate Judge Peggy Kuo appointed Davian Holdings Limited as Lead Plaintiff in the McLaughlin v. Nano-X Imaging Ltd. et al, Case No. 1:21-cv-05517. On April 12, 2022 and in the same case, the Lead Plaintiff filed an amended complaint, which alleges that defendants violated the federal securities laws in connection with certain disclosures concerning the cost of the Nanox.ARC system as well as the comparison of the Nanox.ARC to CT scanners. Lead Plaintiff seeks to represent a class of investors who purchased the Company's publicly-traded securities between August 21, 2020 and November 17, 2021. The Company has not yet responded to the amended complaint and intends to defend these actions vigorously. The Company has not accrued any losses other than legal fees with connection with this lawsuit. The Company's position is that the lawsuit has no merit and it intends to defend its position vigorously.

On October 28, 2021, a complaint was filed in the United States District Court for the Central District of California against the Company, the Company's recently-formed Delaware subsidiary and Nanox Gibraltar PLC ("Gibraltar") from which the Company received certain assets, as well as Mr. Ran Poliakine and certain other unidentified parties, alleging several causes of action including breach of a consulting agreement between the plaintiff and Gibraltar that was entered into in 2015. The plaintiff's demand is for a payment of unpaid consulting fees from Gibraltar in the amount of approximately $1 million and approximately $29.5 million from the Company relating to his claimed entitlement to warrants in Gibraltar. The Company's position is that the complaint against the Company has no merit, because, among other reasons, as it was not a party to the agreement with the plaintiff and it is not Gibraltar's legal successor for any liabilities that Gibraltar may owe to the plaintiff. The Company intends to defend its position vigorously.

The Division of Enforcement of the SEC notified the Company that it is conducting an investigation to determine whether there had been any violations of the federal securities laws. The Company has been providing documents and information to the SEC and has received a subpoena from the SEC requesting that the Company provide documents and other information relating to the development cost of the Company's Nanox.ARC prototypes, as well as the Company's estimate for the cost of assembling the final Nanox.ARC product at scale, among other things. The Company is cooperating with the SEC in responding to its requests. The duration and outcome of this matter cannot be predicted at this time.

We are unable to estimate a range of loss, if any, that could result were there to be an adverse final outcome in any of the above cases or the SEC investigation. If an unfavorable outcome were to occur, it is possible that the impact could be material to our results of operations in the period in which any such outcome becomes probable and estimable.

C. Organizational Structure

NANO-X IMAGING LTD, an Israeli Company ("Nanox IL"), was incorporated on December 20, 2018 and commenced its operations on September 3, 2019.

On September 19, 2019, Nanox IL established Nanox Imaging Inc., a wholly owned subsidiary in Japan.

On September 25, 2020, Nanox IL established Nano-X Korean Inc., a wholly owned subsidiary in Korea.

On November 4, 2021, Nanox IL purchased all the shares of Nano-X AI Ltd. ("Nanox AI"), an Israeli company formerly named Zebra Medical Vision Ltd. Nanox AI has a wholly owned Delaware subsidiary named Nanox-X AI Inc.

On September 13, 2021, Nanox IL established Nano-X Imaging Inc ("Nanox Inc."), a wholly owned Delaware subsidiary. On November 2, 2021, Nanox Inc. completed the acquisition of 100% of the shares of USARAD Holdings, Inc. ("USARAD"), a Delaware corporation.

On September 30, 2011, Nanox Inc. established a new wholly-owned Delaware subsidiary, Nano-X MDW Inc, which owns the platform and other assets purchased by us from MDWEB, LLC on November 3, 2021.

On November 23, 2021, USARAD established another wholly-owned Delaware subsidiary Nanox RAD Inc., which is not active yet.

D. Property, Plants and Equipment

Our principal executive offices are located in a leased facility in Neve Ilan, Israel. We lease approximately 550 square meters (approximately 5,920 square feet) of office space and warehouses. The original lease expired in December 2021, and we have exercised the option to extend our lease for an additional 24 months until December 31, 2023.

We also lease approximately 620 square meters (approximately 6,670 square feet) of office space in Neve Ilan, Israel, that may be used for offices and technical development. The lease expires in June 2023. In November 2020, we leased an additional approximately 370 square meters (approximately 3,980 square feet) of office space in Neve Ilan, Israel. This lease also expires in June 2023.

In March 2022, we signed a new agreement to lease a space of 105 square meters (approximately 1,130 square feet) of office space in Neve Ilan until February 2025.

Nanox Japan (predecessor) leases additional facilities of approximately 740 square feet of lab space and approximately 190 square feet of space in a clean room at the premises of the University of Tokyo for research and development activities. The lease automatically renews on a semi-annual basis.

Nanox Imaging Inc. leases office space of approximately 2,300 square feet in Fort Lee, New Jersey. The monthly rent payment for this agreement is approximately $6,000.

In December 2020, we purchased approximately 11,889 square meters of land in Yongin, Geonggi province, Korea, on which we built our fabrication facility for approximately $6.2 million, which is operational.

Nanox AI leases approximately 841 square meters of office space under an operating lease agreement that expires on November 30, 2024. The monthly rent payment for this agreement is approximately $12,000.

Item 4A Unresolved Staff Comments

Not applicable.

Item 5. Operating and Financial Review and Prospects

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements and the related notes included elsewhere in this annual report on Form 20-F. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed in the section titled "Item 3. Key Information—D. Risk Factors" and in other parts of this annual report on Form 20-F. Our consolidated financial statements have been prepared in accordance with U.S. GAAP. The functional currency of NANO-X IMAGING LTD is the U.S. dollar.

A. Operating Results

Overview

Early detection saves lives—and we at Nanox are focused on applying our proprietary medical imaging technology and solutions to make diagnostic medicine more accessible and affordable across the globe. We are developing a holistic imaging solution, which includes the Nanox System, comprised of the Nanox.ARC using our novel MEMs X-ray source technology, and the Nanox.CLOUD, a companion cloud software, integrated with AI solutions and teleradiology services. Our vision is to increase early detection of medical conditions that are discoverable by X-ray by improving access to imaging, reducing imaging costs and enhancing imaging efficiency, which we believe is key to increasing early prevention and treatment, improving health outcomes and, ultimately, saving lives.

Our imaging solution is designed as a modular open system, and we intend in the future to explore the expansion of the solution to include additional components, which may be developed by us or third parties.If cleared, we plan to market and deploy the Nanox System broadly across the globe at a substantially lower cost compared to currently available medical imaging systems, such as CT. We believe that, if cleared, our technology's relatively low cost will enable us to increase accessibility and affordability of early-detection medical imaging systems globally, substantially reduce wait-times for imaging results and increase early detection rates compared to currently employed imaging process protocol.

We have devoted substantially all of our financial resources to acquiring the base technology for our X-ray source and related know-how, conducting research and development activities, organizing and staffing our company, developing our business plan, securing related intellectual property rights and raising capital. Historically, we have funded our operations primarily with proceeds from the sale of our ordinary shares and warrants (after September 3, 2019) and those of our predecessor company (prior to September 3, 2019). During the years ended December 31, 2021, 2020 and 2019, we received net cash proceeds of $7.4 million, $240.4 million and $14.0 million, respectively, from the sales of our and our predecessor's ordinary shares. In the year ended December 31, 2021, we began to generate revenues through the sale of teleradiology services and the sale of AI solutions, following the completion of the merger with Zebra, renamed Nanox AI Ltd., and the acquisitions of USARAD and the assets of MDWEB in November 2021.

We have incurred significant operating losses since our inception. Our ability to achieve profitability depends on the successful development and commercialization of our technology and our products. We incurred net losses of $61.8 million, $43.8 million and $22.6 million for the years ended December 31, 2021, 2020 and 2019, respectively. As of December 31, 2021 and 2020, we had an accumulated deficit of $146.2 million and $84.4 million, respectively. We expect to continue to incur significant expenses for at least the next several years as we advance the Nanox System through further development and regulatory approval. If we obtain marketing clearance or approval for the multi-source Nanox.ARC, we expect to incur significant commercialization expenses related to product manufacturing, marketing, sales and distribution. In addition, we continue to incur additional costs associated with operating as a public company, including significant legal, accounting, investor relations and other expenses.

Our goal is to jumpstart the MSaaS-based medical imaging market by producing and deploying an initial wave of approximately 15,000 Nanox.ARC units by the end of 2024. We estimate that effectively stimulating market interest in our Nanox System will require deploying at least 5,000 to 10,000 Nanox.ARC units. In addition, we believe that a minimum installed base of at least 1,000 Nanox.ARC units will be required to support our business during the initial wave of deployment, assuming we enter into at least one licensing agreement on commercially reasonable terms. We expect to incur significant expenses for the manufacture, installation, deployment and maintenance of the Nanox System. As a result, we may need substantial funding to support our continuing operations and pursue our business strategy before we can generate significant revenues. Until such time as we can generate significant revenue from product sales, we expect to finance our operations through the sale of equity, debt financings or other capital sources, including collaborations, strategic partnerships or marketing, distribution or licensing arrangements with third parties. We may be unable to raise additional funds or enter into such other agreements or arrangements when needed on favorable terms, or at all. If we fail to raise capital or enter into such agreements as and when needed, we may have to significantly delay, scale back or discontinue the development and commercialization of one or more of our products or delay our pursuit of potential in-licenses or acquisitions.

As of December 31, 2021, we had marketable securities, cash and cash equivalents of $156.6 million. We believe that our cash on hand and cash equivalents will enable us to fund our operating expenses and capital expenditure requirements for at least the next twelve months from the date of issuance of the financial statements. We have based this estimate on assumptions that may prove to be wrong, and we could exhaust our capital resources sooner than we expect. See "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources."

Recent Acquisitions

On November 2, 2021, the Company completed the acquisition of 100% of the shares of USARAD, pursuant to the terms of the Stock Purchase Agreement, dated October 25, 2021, among the Company, USARAD, Dr. Michael Yuz, other holders of capital stock of USARAD and holders of USARAD options. USARAD is a U.S. based teleradiology company with over 300 U.S. certified radiologists in its organization.

On November 3, 2021, the Company completed the acquisition of the platform and other assets of MDWEB, pursuant to the terms of the Asset Purchase Agreement, dated October 21, 2021, between the Company and MDWEB, a USARAD-related company. Pursuant to the acquisition, we acquired the MDW platform, now known as the Nanox.MARKETPLACE, a decentralized marketplace connecting imaging facilities with radiologists.

On November 4, 2021, the Company consummated its merger with Zebra pursuant to the terms of the Agreement and Plan of Merger, dated August 9, 2021, as amended, among the Company, Zebra and Perryllion Ltd., as representative of Zebra's equity holders. Zebra, now known as Nanox AI Ltd., is a leading medical AI developer, with ten FDA-cleared and 11 CE-marked AI solutions for medical imaging.

For additional information regarding these acquisitions, including the consideration that we paid and is payable in connection with these acquisitions, see "Item 4. Information on the Company—A. History and Development of the Company." In the year ended December 31, 2021, following the completion of these acquisitions, we began to generate revenues through the sale of teleradiology services and the sale of AI solutions.

Asset Purchase

We were formed on December 20, 2018. Pursuant to the Asset Purchase Agreement, as amended on December 3, 2019 and December 31, 2019, substantially all of the assets of Nanox Gibraltar, including all patents, patent applications and all other intellectual property rights, but not including the shares of Nanox Japan (predecessor), were sold to us for an aggregate consideration of $13.3 million, reflecting the fair market value of the transferred assets, which was estimated to be $6.1 million (excluding cash) based on an independent valuation report, plus the cash balance less $200,000, which cash amount totaled $7.2 million as of the date of the Asset Purchase Agreement.

Under the terms of the Asset Purchase Agreement, the consideration for the transferred assets will be paid only on the occurrence of one of the following events: (a) the closing of a transaction involving the sale of all or substantially all of our assets; (b) the acquisition of us by, or the merger of us with, another entity, consolidation, reorganization, recapitalization, sale, assignment or disposal by us of all or substantially all of our issued and outstanding shares; (c) the transfer, sale, lease, grant or other disposition of or the grant of an exclusive license over all or substantially all of our assets, including, but not limited to, intellectual property, with the same economic effect to that of a sale and/or cessation of its business; (d) any other transaction, except for a financing round, following which our shareholders prior to the closing of such transaction own, directly or indirectly, less than 50% of the voting power of the surviving entity; (e) the closing of our first underwritten public offering pursuant to a registration statement under the Securities Act or the Securities Law (or under equivalent securities law of another jurisdiction) or any other securities laws world-wide with the same effects and results; and (f) an equity financing by us at a minimum pre-money valuation of $100.0 million, with proceeds to us of at least $30.0 million. In the events of (e) or (f) above, we will have the option to pay the consideration in cash or by the issuance to Nanox Gibraltar of our securities of the same series to be issued upon such event, in an amount reflecting a 25% discount on the price per share to be determined in connection with (e) and (f) above. If we elect to pay such consideration in cash, Nanox Gibraltar will have the right, at its sole discretion and in good faith, to reject such payment in cash, and require that we pay such consideration in the form of our securities in such amount and with such discount described above. In connection with this, we recorded a related party liability in an amount of $17.8 million in its financial statements as of and for the year ended December 31, 2019.

In January 2020, our board of directors and the board of directors and shareholders of Nanox Gibraltar approved the issuance of shares in accordance with the terms of the Asset Purchase Agreement described above. As a result, 1,109,245 of our ordinary shares were issued to Nanox Gibraltar, representing an aggregate consideration of approximately $17.8 million, and we have no further obligations to Nanox Gibraltar under the Asset Purchase Agreement.

Components of Our Results of Operations

Revenue

We began to generate revenues in year ended December 31, 2021, through the sale of teleradiology services and the sale of AI solutions, following the completion of the merger with Zebra, renamed Nanox AI Ltd., and the acquisitions of USARAD and the assets of MDWEB in November 2021. The majority of our revenues are derived from our teleradiology services, which consist primarily of fees received from various payors based on established billing rates, and also of fees from hospitals and healthcare providers. We recognize revenue in the period in which performance obligations are satisfied by providing services to customers, and record the amount of revenue that reflects the consideration that we expect to receive in exchange for those services. We have not generated any revenue to date from sales of the Nanox System.

Cost of Revenue

Cost of revenue consists of the cost of the sale of teleradiology services and the cost of the sale of AI solutions. Cost of the sale of teleradiology services mainly consists of the cost of radiologists and the cost of picture archiving and communication software (a medical imaging technology used to securely store and digitally transmit electronic images and clinical reports). The cost of the sale of AI solutions mainly consists of the cost of labor and amortization of intangible assets.

Operating Expenses

Research and Development Expenses

Research and development expenses consist primarily of costs incurred in connection with the research and development of our products. These expenses include:

- expenses incurred in connection with the development of our products, including payments made pursuant to agreements with third parties, such as outside consultants related to process development and manufacturing activities, as well as patent registrations;
- costs of components and materials, including payments made pursuant to agreements with third parties;
- costs of laboratory supplies incurred for each program;
- facilities, depreciation and other expenses, including direct or allocated expenses for rent and maintenance of facilities, as well as insurance costs;
- costs related to compliance with regulatory requirements; and
- employee-related expenses, including salaries, related benefits and share-based compensation expenses for employees engaged in research and development activities.

We recognize external development costs based on an evaluation of the progress to completion of specific tasks using information provided to us by our suppliers and service providers. Upfront payments, milestone payments (other than those deemed contingent consideration in a business combination) and annual maintenance fees under license agreements are expensed in the period in which they are incurred.

Research and development activities are central to our business. We expect that our research and development expenses will increase substantially over the next several years as we continue development of the Nanox System. We expect to continue to devote a substantial portion of our resources to the Nanox.ARC multi-source system, the Nanox.CLOUD, the Nanox.MARKETPLACE, our AI solutions and our underlying technology for the foreseeable future.

The successful development and commercialization of our products are highly uncertain. At this time, we cannot reasonably estimate or know the nature, timing and costs of the efforts that will be necessary to complete the development of any of our products. This uncertainty is due to the numerous risks and uncertainties associated with product development and commercialization, including the uncertainty of:

- the timing and progress of development activities;
- our ability to maintain our current research and development programs and to establish new ones;
- the receipt of regulatory approvals from applicable regulatory authorities without the need for independent clinical trials or validation;
- the timing, receipt and terms of any marketing approvals from applicable regulatory authorities;
- our ability to establish new licensing or collaboration arrangements;
- the performance of our future collaborators, if any;
- establishing commercial manufacturing capabilities or making arrangements with third-party manufacturers;
- obtaining, maintaining, defending and enforcing patent claims and other intellectual property rights;
- launching commercial sales of our products, including the Nanox.ARC the Nanox.CLOUD software and our AI solutions, whether alone or in collaboration with others; and
- maintaining a continued acceptable safety profile of the products following approval.

Any changes in the outcome of any of these variables with respect to the development of our products could result in a significant change in the costs and timing associated with the development of these products. For example, if the FDA or another regulatory authority were to require us to conduct clinical trials or other testing beyond what we currently expect, we could be required to expend significant additional financial resources and time to complete development of our products. We may never obtain regulatory approval for any of our products and third parties may never obtain regulatory approvals for any products containing our technology.

Marketing, General and Administrative Expenses

Marketing expenses consist of public relations and general marketing expenses. General and administrative expenses consist primarily of salaries, related benefits and share-based compensation expense for personnel in executive, finance and administrative functions. General and administrative expenses also include facilities, depreciation and other expenses, which include direct or allocated expenses for rent and maintenance of facilities and insurance, as well as professional fees for legal, patent, consulting, investor and public relations, accounting and audit services.

We anticipate that our marketing, general and administrative expenses will increase as we increase our headcount to support our continued research and development activities and commercialization of our products. We also incur accounting, audit, legal, regulatory, compliance, directors' and officers' liability insurance and investor and public relations costs associated with being a public company.

Results of Operations

	Year ended December 31,		
	2021	**2020**	**2019**
	U.S. Dollars in thousands		
REVENUE	1,304	-	-
COST OF REVENUE	2,816	-	-
GROSS LOSS	(1,512)	-	-
OPERATING EXPENSES:			
Research and development	17,122	9,210	2,717
Sales and Marketing	7,033	12,445	1,556
General and administrative	34,709	22,268	18,298
Other expenses	1,182	-	-
TOTAL OPERATING EXPENSES	60,046	43,923	22,571
OPERATING LOSS	(61,558)	(43,923)	(22,571)
FINANCIAL INCOME (EXPENSES), net	(288)	108	8
OPERATING LOSS BEFORE INCOME TAXES	(61,846)	(43,815)	(22,563)
INCOME TAX BENEFIT	48	-	-
NET LOSS	(61,798)	(43,815)	(22,563)
BASIC AND DILUTED LOSS PER SHARE	(1.28)	(1.23)	(0.90)
THE WEIGHTED AVERAGE OF THE NUMBER OF ORDINARY SHARES (in thousands)	48,216	35,654	25,181
NET LOSS	(61,798)	(43,815)	(22,563)
Other comprehensive loss:			
Unrealized loss from available- for-sale securities	(607)	-	-
Total other comprehensive loss:	(607)	-	-
TOTAL COMPREHENSIVE LOSS	(62,405)	(43,815)	(22,563)

Comparison of the years ended December 31, 2021 and 2020

The table below summarizes the results of operations for the years ended December 31, 2021 and 2020, respectively:

Revenue

The table below summarizes our revenue incurred during the periods presented:

	Year Ended December 31,	
	2021	2020
	($ in thousands)	
Teleradiology services	$ 1,034	$ -
AI	270	-
Total	$ 1,304	$ -

For the year ended December 31, 2021, we reported revenue of $ 1.3 million, compared to none for the year ended December 31, 2020. During the year ended December 31, 2021, we generated revenues through the sale of teleradiology services in the amount of $1.0 million and the sale of AI solutions in the amount of $0.3 million.

Cost of Revenue

The table below summarizes our cost of revenue incurred during the periods presented:

	Year Ended December 31,	
	2021	2020
	($ in thousands)	
Teleradiology services	$ 1,000	$ -
AI	1,816	-
Total	$ 2,816	$ -

For the year ended December 31, 2021, we reported cost of revenue of $2.8 million, compared to none for the year ended December 31, 2020. During the year ended December 31, 2021, we incurred cost of revenue through the sale of teleradiology services in the amount of $1.0 million and the sale of AI solutions in the amount of $1.8 million.

Gross Loss

The table below summarizes our gross loss incurred from each segment during the periods presented:

	Year Ended December 31,	
	2021	2020
	($ in thousands)	
Teleradiology services	$ 34	$ -
AI	(1,546)	-
Total	$ (1,512)	$ -

For the year ended December 31, 2021, we reported a gross loss of $1.5 million, compared to no profit or loss for the year ended December 31, 2020. Our gross profit from teleradiology services for the year ended December 31, 2021 was $0.0 million. Our gross loss from our AI solutions for the year ended December 31, 2021 was $1.5 million.

Research and Development Expenses

The table below summarizes our research and development expenses incurred during the periods presented:

	Year Ended December 31,	
	2021	2020
	($ in thousands)	
Research and Development Expenses:		
Salaries and wages	$ 6,047	$ 2,091
Share-based compensation	3,248	3,384
R&D - professional services	6,072	3,647
Other	1,755	88
Total	$ 17,122	$ 9,210

Research and development expenses increased by $7.9 million to $17.1 million for the year ended December 31, 2021 from $9.2 million for the year ended December 31, 2020. The increase in research and development expenses was primarily attributable to the increase of $1.7 million due to the merger with Zebra, renamed Nanox AI, and increases in salaries and wages and professional services as we continue to expand our research and development activities relating to the Nanox System.

Sales and Marketing Expenses

The table below summarizes our sales and marketing expenses incurred during the periods presented:

	Year Ended December 31,	
	2021	2020
	($ in thousands)	
Sales and Marketing Expenses:		
Salaries and wages	$ 1,711	$ 733
Share-based compensation	2,442	9,252
Marketing and business development	2,880	2,460
Total	$ 7,033	$ 12,445

Sales and marketing expenses decreased to $7.0 million for the year ended December 31, 2021, from $12.4 million for the year ended December 31, 2020. The decrease in sales and marketing expenses was primarily attributable to a decrease in share-based compensation.

General and Administrative Expenses

The table below summarizes our general and administrative expenses incurred during the periods presented:

	Year Ended December 31,	
	2021	2020
	($ in thousands)	
General and Administrative Expenses:		
Salaries and wages	$ 6,159	$ 3,847
Share-based compensation	13,065	12,145
Directors' and officers' insurance	4,445	1,812
Professional services	3,128	2,449
Legal fees	4,476	671
Rent and Maintenance	821	620
Depreciation and Amortization	228	208
Other	2,924	516
Total	$ 34,709	$ 22,268

General and administrative expenses increased to $34.7 million for the year ended December 31, 2021, from $22.3 million for the year ended December 31, 2020. The increase in general and administrative expenses was primarily attributable to the merger with Zebra, renamed Nanox AI, and the acquisitions of USARAD and the assets of MDWEB, an increase in our head count in connection with the expansion of our management team and the overall organization infrastructure, an increase of approximately $1.9 million in legal fees primarily due to the SEC inquiry and class-actions, an increase of $2.4 million in our directors' and officers' liability insurance premium and transaction expenses in connection with the merger with Zebra, renamed Nanox AI, and the acquisitions of USARAD and the assets of MDWEB.

Other Expenses

Other expenses were $1.2 million for the year ended December 31, 2021, and none for the year ended December 31, 2020. The increase in other expenses was primarily attributable to the relocation of our fabrication facility from its temporary location to its permanent location in South Korea.

Comparison of the years ended December 31, 2020 and 2019

The table below summarizes the results of operations for the years ended December 31, 2020 and 2019, respectively, together with the changes in those items in dollars:

	Year Ended December 31,	
	2020	2019
	($ in thousands)	
Operating expenses		
Research and development	$ 9,210	$ 2,717
Marketing	12,445	1,556
General and administrative	22,268	18,298
Operating loss	(43,923)	(22,571)
Financial (income) expenses, net	(108)	(8)
Net loss	$ (43,815)	$ (22,563)

Research and Development Expenses

The table below summarizes our research and development expenses incurred during the periods presented:

	Year Ended December 31,	
	2020	2019
Research and Development Expenses:	($ in thousands)	
R&D - salaries and wages	$ 2,091	$ 437
Share-based compensation	3,384	661
R&D - professional services	3,647	1,450
Other	88	169
Total	$ 9,210	$ 2,717

Research and development expenses increased by $6.5 million to $9.2 million for the year ended December 31, 2020 from $2.7 million for the year ended December 31, 2019. The increase in research and development expenses was primarily attributable to increases in salaries and wages, share-based compensation and professional services as we continue to expand our research and development activities relating to the Nanox System.

Marketing Expenses

The table below summarizes our marketing expenses incurred during the periods presented:

	Year Ended December 31,	
	2020	2019
Marketing Expenses:	($ in thousands)	
Marketing – salaries and wages	$ 733	$ 200
Marketing and business development	2,460	739
Share-based compensation	9,252	617
Total	$ 12,445	$ 1,556

Marketing expenses increased by $10.9 million to $12.4 million for the year ended December 31, 2020 from $1.6 million for the year ended December 31, 2019. The increase in marketing expenses was primarily attributable to increases in salaries and wages, share-based compensation (of which $6.1 million related to the amendment to a certain business development agreement with two of our finders, as discussed in "Item 4. Information on the Company—B. Business Overview—Commercial Agreements—MSaaS Agreements"), and professional services as we continue to expand our business and to build management infrastructure to move toward the commercial stage of our business.

General and Administrative Expenses

The table below summarizes our general and administrative expenses incurred during the periods presented:

	Year Ended December 31,	
	2020	2019
General and Administrative Expenses:	($ in thousands)	
G&A – salaries and wages	$ 3,847	$ 461
Share-based compensation	12,145	14,967
Executives and officers' insurance	1,812	---
Management fee	171	534
G&A – professional services	2,449	1,470
Legal fees	671	417
Rent and Maintenance	620	143
Depreciation and Amortization	208	32
Other	345	274
Total	$ 22,268	$ 18,298

General and administrative expenses increased by $4.0 million to $22.3 million for the year ended December 31, 2020 from $18.3 million for the year ended December 31, 2019. The increase in general and administrative expenses was primarily attributable to increases in salaries and wages, executives' insurance and professional services as we continue to expand our business and to build management infrastructure to move toward the commercial stage of our business.

Recently Issued Accounting Pronouncements

A description of recently issued accounting pronouncements that may potentially impact our financial position and results of operations is disclosed in Note 2 to our audited consolidated financial statements, included elsewhere in this annual report on Form 20-F.

B. Liquidity and Capital Resources

From our inception and prior to November 2021, we did not generate any revenue from product sales or otherwise and have incurred significant operating losses and negative cash flows from our operations. We began to generate revenues in the year ended December 31, 2021 through the sale of teleradiology services and the sale of AI solutions, following the completion of the merger with Zebra, renamed Nanox AI Ltd., and the acquisitions of USARAD and the assets of MDWEB in November 2021. We have not generated any revenue to date from sales of the Nanox System. Historically, we have funded our operations primarily with proceeds from the sale of our and our predecessor company's ordinary shares.

Cash Flows

The following table provides information regarding our cash flows for the periods presented:

	Year Ended December 31,		
	2021	2020	2019
	($ in thousands)		
Net cash used in operating activities	$ (38,071)	$ (21,487)	$ (5,524)
Net cash used in investing activities	(116,320)	(13,937)	(125)
Net cash provided by financing activities	7,379	240,991	13,861
Net change in cash and cash equivalents and restricted cash	$ (147,012)	$ 205,567	$ 8,212

Net Cash used in Operating Activities

During the years ended December 31, 2021, 2020 and 2019, net cash used in operating activities was $38.1 million, $21.5 million and $5.5 million, respectively, resulting from our net loss of $61.8 million, $43.8 million and $22.6 million, respectively, adjusted for stock-based compensation changes of $18.8 million, $24.8 million and $16.2 million, respectively, amortization of intangible assets of $1.8 million in the year ended December 31, 2021, non-cash charges of $0.4 million, $0.1 million and $0.1 million, in the years ended December 31, 2021, 2020 and 2019, respectively, and changes in components of working capital of $2.6 million, ($1.6) million and $0.7 million for the years ended December 31, 2021, 2020 and 2019. The increase in cash used in operating activities was primarily due to activities related to our business expansion.

Net Cash used in Investing Activities

During the years ended December 31, 2021, 2020 and 2019, net cash used in investment activities was $116.3 million, $13.9 million and $0.1 million, respectively. The increase in cash used in investing activities during the year ended December 31, 2021 was primarily due to purchase of marketable securities, the completion of our fabrication facility in Korea and the acquisition of USARAD, as part of the preparation for the commencement of full manufacturing activity.

Net Cash provided by Financing Activities

During the years ended December 31, 2021, 2020 and 2019, net cash provided by financing activities was $7.4 million, $241 million and $13.9 million, respectively, primarily due to proceeds from the issuance of ordinary shares and warrants, net of issuance costs and from the issuance of ordinary shares upon exercise of options and warrants.

Contractual Obligations

Our long-term contractual obligations mainly consist of our lease agreements for our offices and other facilities in Israel, Japan and the United States. For details regarding these lease agreements, see "Item 4. Information on the Company—D. Property, Plants and Equipment."

In addition, we are party to a lease agreement for the lease of vehicles for certain of our employees, which remains in effect until June 30, 2023. The monthly payment under this agreement is approximately $12,000.

As of December 31, 2021, we had non-current operating leases liabilities of $1.8 million. For additional details regarding our operating lease agreements, see Note 7 to our audited consolidated financial statements, which are included in this annual report.

Funding Requirements

We expect our expenses to increase in connection with our ongoing activities, particularly as we continue the research and development of the Nanox System and seek marketing approval for this product. In addition, we incur additional costs associated with operating as a public company. Our expenses will also increase if, and as, we:

- seek regulatory approvals for any additional products;
- seek to discover and develop additional products;
- establish a manufacturing, sales, marketing, medical affairs and distribution infrastructure to commercialize the Nanox System for which we may obtain marketing approval and intend to commercialize on our own or jointly;
- hire additional quality control and scientific personnel;
- expand our operational, financial and management systems and increase personnel, including personnel to support our clinical development, manufacturing and commercialization efforts and our operations as a public company;
- operate our manufacturing facility in South Korea for the purpose of manufacturing MEMs X-ray chips;
- maintain, expand and protect our intellectual property portfolio; and
- acquire or in-license other products and technologies.

We believe that our cash on hand and cash equivalents will enable us to fund our operating expenses and capital expenditure requirements for at least the next twelve months from the date of issuance of the financial statements. We have based this estimate on assumptions that may prove to be wrong, and we could exhaust our available capital resources sooner than we expect.

Because of the numerous risks and uncertainties associated with manufacture, research, development and commercialization of products, we are unable to estimate the exact amount of our working capital requirements. Our future funding requirements will depend on, and could increase significantly as a result of, many factors, including:

- the scope, progress, results and costs of researching and developing the Nanox System;
- the costs, timing and outcome of regulatory review of the Nanox.ARC;
- the costs of future activities, including product sales, medical affairs, marketing, manufacturing and distribution, for the Nanox System for which we receive marketing approval;
- commercial manufacturing, shipping, installation and deployment of the Nanox System and sufficient inventory to support commercial launch;
- the revenue, if any, received from commercial sale of the Nanox System, should the Nanox.ARC receive marketing approval;
- the cost and timing of hiring new employees to support our continued growth;

- the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending intellectual property-related claims;

- the ability to establish and maintain collaborations on favorable terms, if at all;

- the costs incurred with respect to and the outcome of the securities litigations and SEC investigation we are currently subject to and any similar or other claims, litigation and investigations we may be subject to in the future; and

- the timing, receipt and amount of sales of the Nanox System, if any.

A change in any of these or other variables with respect to the development of any of our products could significantly change the costs and timing associated with the development of that product. Further, our operating plans may change in the future, and we may need additional funds to meet operational needs and capital requirements associated with such operating plans.

Until such time, if ever, as we can generate substantial product revenue, we expect to finance our cash needs through a combination of public or private equity offerings, debt financings, collaborations, strategic partnerships or marketing, distribution or licensing arrangements with third parties. To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest may be materially diluted, and the terms of such securities could include liquidation or other preferences that adversely affect your rights as an ordinary shareholder. Debt financing and preferred equity financing, if available, may involve agreements that include restrictive covenants that limit our ability to take specified actions, such as incurring additional debt, making capital expenditures or declaring dividends. In addition, debt financing would result in increased fixed payment obligations.

If we raise funds through collaborations, strategic partnerships or marketing, distribution or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or products or grant licenses on terms that may not be favorable to us.

If we are unable to raise additional funds when needed, we may be required to delay, reduce or eliminate our product development or future commercialization efforts, or grant rights to develop and market products that we would otherwise prefer to develop and market ourselves.

C. Research and Development, Patents and Licenses, etc.

Research and Development Expenses

Research and development expenses are charged to the statement of operations as incurred and consist primarily of personnel, materials and supplies for research and development activities. See “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Critical Accounting Policies and Significant Judgments and Estimates—Research and Development Expenses.”

Intellectual Property

As of March 31, 2022, we and our subsidiaries had 22 issued patents in the United States and 11 provisional or pending U.S. patent applications. We also had three patents issued in Israel, four patents pending in Israel, five pending patent applications in the European Patent Office and two pending Patent Cooperation Treaty patent applications, which are the counterparts of our U.S. patent applications. As of March 31, 2022, we had three patents issued in each of Japan and China, two patents pending in each of Japan and China, 11 pending patent applications in Korea and six pending patent applications in Hong Kong. Our issued patents generally expire between the years 2032 and 2034, and some are directed to various features and combinations of features of the Nanox.ARC and the others for AI and teleradiology. We also have six trademarks granted and one trademark pending in Israel.

We intend to continue filing for patents on new technologies as they are developed and to actively pursue any infringement upon our patents. We believe that our know-how and trade secrets represent de facto barriers to potential competition.

D. Trend Information

We are a development-stage company and cannot predict with any degree of accuracy the outcome of our research and development efforts. As such, we cannot predict with any degree of accuracy any significant trends, uncertainties or events that are reasonably likely to have a material effect on our net loss, liquidity or capital resources, or cause financial information to not be indicative of future operating results or financial condition. However, to the extent possible, certain trends, uncertainties, demands, commitments and events are described in this “Item 5. Operating and Financial Review and Prospects.”

E. Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). The preparation of our consolidated financial statements and related disclosures requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, costs and expenses and the disclosure of contingent assets and liabilities in our financial statements. We base our estimates on historical experience, known trends and events and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are described in more detail in Note 2 to our audited consolidated financial statements appearing elsewhere in this annual report on Form 20-F, we believe that the following accounting policies are those most critical to the judgments and estimates used in the preparation of our consolidated financial statements.

Use of Estimates in the Preparation of Financial Statements

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates and such differences may have a material impact on our consolidated financial statements. As applicable to the consolidated financial statements, the most significant estimates relate to assets acquired and liabilities assumed through business combination, goodwill impairment, useful lives of intangible assets, deferred taxes and share-based payments.

Functional Currency

The U.S. dollar is the currency of the primary economic environment in which our and our subsidiaries' operations are conducted. A substantial portion of the operational costs are denominated in U.S. dollars. Accordingly, our functional currency is the U.S. dollar ("primary currency").

Foreign currency assets and liabilities are translated into the primary currency using the exchange rates in effect on the consolidated balance sheet date. Equity accounts are translated at historical rates, except for the change in accumulated deficit during the year, which is the result of the income statement translation process. Revenue and expense accounts are translated using the weighted average exchange rate during the period. Currency transaction gains and losses are presented in financial income and expenses, net.

Business Combination

We allocate the fair value of consideration transferred in a business combination to the assets acquired, liabilities assumed, and non-controlling interests in the acquired business based on their fair values at the acquisition date. Acquisition-related expenses are recognized separately from the business combination and are expensed as incurred. The excess of the fair value of the consideration transferred plus the fair value of any non-controlling interest in the acquiree over the fair value of the assets acquired, liabilities assumed in the acquired business is recorded as goodwill. The fair value of the consideration transferred may include a combination of cash, equity securities, earn out payments and deferred payments. The allocation of the consideration transferred in certain cases may be subject to revision based on the final determination of fair values during the measurement period, which may be up to one year from the acquisition date. The cumulative impact of revisions during the measurement period is recognized in the reporting period in which the revisions are identified. We include the results of operations of the businesses that we have acquired in our consolidated results prospectively from the respective dates of acquisition. We record obligations in connection with our business combinations at fair value on the acquisition date. Each reporting period thereafter, we revalue earn-out liabilities and record the changes in their fair value in the consolidated statements of operations and comprehensive loss. Changes in the fair value of earn-out liabilities can result from adjustments to the discount rates, our shares price, sales and profitability targets. This fair value measurement represents Level 3 measurements, as it is based on significant inputs not observable in the market. Significant judgment is required in determining the assumptions utilized as of the acquisition date and for each subsequent period. Accordingly, changes in the assumptions described above could have a material impact on the our consolidated results of operations.

Marketable Securities

All highly liquid investments are classified as marketable securities and have been classified and accounted for as available-for-sale. We classify our marketable securities as either short-term or long-term based on each instrument's underlying contractual maturity date. Unrealized gains and losses on marketable debt securities classified as available-for-sale are recognized in other comprehensive income/(loss).

Property and Equipment, Net

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

	%
Computers and electronic equipment	15–33
Office furniture and lab equipment	6-20
Machines	10-20
Leasehold Improvement	10
Land	0
Construction in progress	0

Goodwill

Goodwill reflects the excess of the consideration transferred plus the fair value of any non-controlling interest in the acquiree at the business combination date over the fair values of the identifiable net assets acquired. Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. We allocate goodwill to our reporting units based on the reporting unit expected to benefit from the business combination. The primary items that generate goodwill include the value of the synergies between the acquired companies and us and the acquired assembled workforce, neither of which qualifies for recognition as an intangible asset. ASC 350, "Intangibles - Goodwill and other" ("ASC 350") requires goodwill to be tested for impairment at the reporting unit level at least annually or between annual tests in certain circumstances and written down when impaired. ASC 350 allows an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. If the qualitative assessment does not result in a more likely than not indication of impairment, no further impairment testing is required. If it does result in a more likely than not indication of impairment, the quantitative goodwill impairment test two-step impairment test is performed. Alternatively, ASC 350 permits an entity to bypass the qualitative assessment for any reporting unit and proceed directly to performing the quantitative first step of the goodwill impairment test. The provisions of the accounting standard for goodwill allow us to first assess qualitative factors to determine whether it is necessary to perform the next goodwill impairment quantitative test. Examples of events or circumstances that may be indicative of impairment include but are not limited to: macroeconomic and industry conditions, overall financial performance and adverse changes in legal, regulatory, market share and other relevant entity specific events. The carrying value of each reporting unit is determined by assigning the assets and liabilities, including the existing goodwill, to those reporting units. When necessary, we record charges for impairments of goodwill for the amount by which the carrying amount exceeds the fair value of these assets.

Other Intangible Assets, net

Definite life intangible assets are amortized using the straight-line method over their estimated period of useful life. Amortization of acquired developed technology, trade names, customer relationships and patents are recorded under cost of revenues and selling and marketing expenses. In addition, the remaining amortization period for the impaired asset would be reassessed and, if necessary, revised. Intangible assets with estimable useful lives are amortized over their respective estimated useful lives to their estimated residual values and reviewed periodically for impairment.

Impairment of Long-Lived Assets

Our long-lived assets are reviewed for impairment in accordance with ASC No. 360, "Property, Plant and Equipment," whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The 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 such 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. During the years ended December 31, 2021 and 2020, no impairment triggering events were identified.

Legal and Other Contingencies

We are involved in claims and other legal proceedings that arise from time to time in the ordinary course of business. We record accruals for these types of contingencies to the extent that we conclude their occurrence is probable and that the related liabilities are estimable. When accruing these costs, we will recognize an accrual in the amount within a range of loss that is the best estimate within the range. When no amount within the range is a better estimate than any other amount, we accrue for the minimum amount within the range. We record anticipated recoveries under existing insurance contracts that are virtually certain of occurring at the gross amount that is expected to be collected.

We review the adequacy of the accruals on a periodic basis and may determine to alter our reserves at any time in the future if we believe it would be appropriate to do so. As such accruals are based on management's judgment as to the probability of losses and, where applicable, actuarially determined estimates, accruals may materially differ from actual verdicts, settlements or other agreements made with regards to such contingencies.

Revenue Recognition

The majority of our revenues are derived from our teleradiology services fees received from various payors based on established billing rates. Revenues are derived directly from hospitals and healthcare providers. We recognize revenue in the period in which the performance obligation is satisfied. We record the amount of revenue that reflects the consideration that we expect to receive in exchange for those services. We apply the following five-step model in order to determine this amount: (i) identification of the contract with a customer; (ii) identification of the promised services in the contract and determination of whether they represent performance obligations, including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) we satisfy each performance obligation. We record deferred revenue for any upfront payments received in advance of our performance obligations being satisfied. These contract liabilities consist principally of unearned teleradiology service fees.

Research and Development Expenses

Research and development expenses are charged to the statement of operations as incurred and consist primarily of personnel, materials and supplies for research and development activities.

Income Tax

1) We account for income taxes in accordance with ASC 740, "Income Taxes" ("ASC 740"). ASC 740 prescribes the use of the liability method whereby deferred tax asset and liability account balances are determined based on differences between the 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. We provide a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value if it is more likely than not that a portion or all of the deferred tax assets will not be realized, based on the weight of available positive and negative evidence. Deferred tax liabilities and assets are classified as non-current in accordance with ASU 2015-17.

2) Taxes that would apply in the event of disposal of investments in foreign subsidiaries have not been taken into account in computing the deferred income taxes, as it is our intent and ability to hold these investments.

3) We account for uncertain tax positions in accordance with ASC 740-10. ASC 740-10 contains a two-step approach to recognizing and measuring 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% (cumulative probability) likely to be realized upon ultimate settlement. We accrue interest and penalties related to unrecognized tax benefits under taxes on income (tax benefit).

4) Valuation allowances are provided unless it is more likely than not that the deferred tax asset will be realized. In the determination of the appropriate valuation allowances, we consider future reversals of existing taxable temporary differences, the most recent projections of future business results, prior earnings history, carryback and carry forward and prudent tax strategies that may enhance the likelihood of realization of a deferred tax asset. Assessments for the realization of deferred tax assets made at a given balance sheet date are subject to change in the future, particularly if earnings of a subsidiary are significantly higher or lower than expected, or if we take operational or tax positions that could impact the future taxable earnings of a subsidiary.

Share-Based Compensation

We measure and recognize share-based compensation expense in our consolidated financial statements based on the grant date fair value for all share-based payment awards made to non-employees, employees, officers and directors. We recognize the grant date fair value of the award as an expense based on the straight-line method over the requisite service periods in our consolidated statements of operations.

We estimated the grant date fair value of share options for the years ended December 31, 2021, 2020 and 2019 using the Black-Scholes option-pricing model. Our use of the Black-Scholes option-pricing model requires the input of highly subjective assumptions, including estimated fair value of our ordinary share price, expected share price volatility and expected term.

- Estimated Fair Value of Share Price. Because our shares were not publicly traded prior to our initial public offering, we estimated the fair value of options granted to non-employees, employees, officers and directors at the date of grant using a number of objective and subjective factors consistent with the methodologies outlined in the American Institute of Certified Public Accountants Practice Aid, Valuation of Privately-Held-Companies Equity Securities Issued as Compensation, and based on independent third-party valuations that we obtained on a periodic basis. Following our initial public offering, our ordinary shares are publicly traded, and therefore we currently base the value of our ordinary shares on their market price.

- Risk-Free Interest Rate. We base the risk-free interest rate on the implied yield on currently available U.S. treasury bonds with a remaining term equal to the expected life of our options.

- Dividend Yield. We base dividend yield on our historical experience and expectation of no future dividend payouts. We have historically not paid cash dividends and have no foreseeable plans to pay cash dividends in the future.

- Expected Volatility. We base expected share price volatility on the historical volatility of the ordinary shares of comparable companies that are publicly traded.

- Expected Term. The expected term of options granted represents the period of time that options granted are expected to be outstanding. As we do not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term, the expected term was determined using the simplified method, which takes into consideration the option's contractual life and the vesting periods.

Any changes in these highly subjective assumptions would significantly impact our share-based compensation expense.

Fair Value Measurement

Fair value is based on the price that would be received from the sale of an asset or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, the guidance establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described as follows:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers counterparty credit risk in its assessment of fair value.

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

The following table sets forth information concerning our executive officers and directors, including their ages, as of April 1, 2022:

Name	Age	Position
Executive Officers		
Ran Poliakine	54	Founder, Chairman of the Board
Erez Meltzer	64	Chief Executive Officer, Director
Ran Daniel	54	Chief Financial Officer
James Dara	52	General Manager Source & Services Division
Ofir Koren	52	General Manager Nanox.ARC Division
Pini Ben Elazar	52	General Manager Nanox AI
Tamar Aharon Cohen	45	Chief Marketing Officer
Guy Yoskovitz	43	Chief Clinical Officer
Gali Yahav Attias	43	Chief of Staff
Anat Kaphan	52	Chief Innovation Officer
Orit Wimpfheimer	51	Chief Medical Officer and Vice President Product Nanox AI
Non-Employee Directors		
Floyd Katske	70	Director
Richard Stone	79	Director
Noga Kainan	67	Director
Dan Suesskind	78	Director
Erez Alroy	59	Director

Executive Officers

Erez Meltzer has served as a member of our board of directors since December 2019 and in January 2022, assumed the role of our Chief Executive Officer. Mr. Meltzer served as the Executive Chairman of the board of directors of Hadassah Medical and University Center from 2014 to 2020. Since 2008, Mr. Meltzer has served as a teaching professor at the Tel Aviv Faculty of Medicine in the area of crisis management. Mr. Meltzer served as Executive Vice Chairman and Chief Executive Officer of Gadot Chemicals & Shipping Group from 2008 to 2013. Prior to that, Mr. Meltzer served as Chief Executive Officer of Africa-Israel Ltd from 2006 to 2008 and President and Chief Executive Officer of Netafim Ltd from 2001 to 2006. Mr. Meltzer also served as Chief Executive Officer of Creo Scitex from 1996 to 2001. Mr. Meltzer serves as a director of Turpaz Industries Ltd (TASE), Eltek Ltd. (NASDAQ) and Hadasit Bio Holdings Ltd. (TASE) as well as of a number of private companies.

Ran Daniel has served as our Chief Financial Officer since August 2021. Mr. Daniel has extensive experience working as a chief financial officer in both rapidly growing companies and publicly traded companies. Mr. Daniel served as the chief financial officer of the IDH Group from 2012 until 2014, the chief financial officer of Elie Tahari family office from 2014 to 2016, the chief financial officer of Blue Sphere Corporation from 2016 to 2018 and Chief Financial Officer at Cuentas from 2018 to present. Mr. Daniel is licensed as a Certified Public Accountant in the United States and Israel, Chartered Financial Analyst (CFA) and is admitted to practice law in the State of New York. Mr. Daniel holds a Bachelor of Economics, a Bachelor of Accounting and an MBA in Finance from the Hebrew University of Jerusalem, as well as a Graduate Degree in Law from the University of Bar-Ilan.

James Dara has served as our General Manager Source & Services Division since January 2022, after having served as our Chief Operating Officer beginning in January 2021. Prior to joining us, Mr. Dara served as President of myCharge from 2012 to 2020. Prior to myCharge, Mr. Dara served as Vice President of Business Development for Powermat Technologies Ltd. from 2009 to 2014 and as Interim CEO and Vice President of Business Development of Wellsense Technologies Ltd. from 2009 to 2015. From 2003 to 2009, Mr. Dara served as Chief Sales Officer, Senior Vice President and General Manager of North America for Braintech Inc. In addition, from 1998 to 2002, Mr. Dara served as a Sales Manager and Sales Engineer for ITW Shakeproof Group. Mr. Dara received his Bachelor of Science degree in Mechanical Engineering from Michigan State University, and his Master's degree in Finance from Walsh University.

Ofir Koren has served as our General Manager Nanox.ARC Division since January 2022, after having served as our Chief Technology Officer beginning in January 2021. Prior to joining us, Mr. Koren served as General Manager Israel and Vice President of Research & Development and Regulatory at ReWalk Robotics from 2013 to 2021. From 2012 to 2013, Mr. Koren served as Research & Development Manager for ReWalk Robotics. Prior to ReWalk Robotics, Mr. Koren served as General Manager at RuggedCOM from 2009 to 2012. From 2007 to 2009, Mr. Koren served as Vice President of Research & Development at Alvarion. Mr. Koren served as Research & Development Director at Alvarion from 2004 to 2007. Mr. Koren received his Bachelor of Science degree in Electrical Engineering from Tel Aviv University, and he holds an M.B.A. degree from Heriot-Watt University.

Tamar Aharon Cohen has served as our Chief Marketing Officer since January 2021. Prior to joining us, Ms. Aharon Cohen served as the Chief Executive Officer of Tempo Beverages Cyprus Ltd. from 2017 to 2021. Ms. Aharon Cohen served as a Marketing Manager and a Division Manager at Tempo Beverages Ltd. from 2010 to 2017. From 2006 to 2010, Ms. Aharon Cohen served as a Marketing Manager for L'Oréal Israel. Ms. Aharon Cohen holds a LLB degree, a B.A. degree in Management and an executive M.B.A. degree, all from Tel Aviv University.

Guy Yoskovitz has served as our Chief Clinical Officer since January 2022. Prior to that, Dr. Yoskovitz served as our VP Clinical Innovation, reporting to the Chief Product Officer, beginning in November 2019. Prior to joining the company and from 2014, Dr. Yoskovitz served as Head of International Ventures & Deputy Director of Research, Innovation and International Affairs Authority, and as a lecturer, at Holon Institute of Technology, Israel. Dr Yoskovitz holds a PhD in Human Genetics from the Faculty of Biology, University of Barcelona; an MSc degree in Medical Sciences from the School of Graduate Studies, The Faculty of Medicine, Tel Aviv University, Israel; and a BSc degree in Computational Biology from Bar Ilan university, Israel.

Pini Ben Elazar has served as General Manager Nanox AI since March 2022. Mr. Ben Elazar brings 25 years of strategic and commercial expertise in the healthcare industry. Mr. Ben Elazar previously served on the board of Zebra Medical. From 2003 to March 2022, Mr. Ben Elazar has served as Chief Executive Officer of Mor Research Applications, a technology transfer organization of Clalit Health Services, the largest health maintenance organization in Israel and the second-largest HMO in the world. Mr. Ben Elazar holds an MBA degree from Johnson & Wales University, Providence, RI.

Gali Yahav Attias has served as our Chief of Staff since December 2022 and commencing May 2022, she is expected to also serve as Vice President Corporate Resources. Ms. Yahav Attias first joined our company as project manager in August 2021. From 2007 to 2021, Ms. Yahav Attias served as the secretary of the Board and the external audit committee and the compliance officer of Hadassah Medical and University Center. From 2014 to 2017, Ms. Yahav Attias also served as the executive liaison of the government recovery agreement implementation in Hadassah Medical Center. Ms. Yahav Attias holds a B.A. degree in Social Sciences and Humanities from the Open University of Israel.

Anat Kaphan has served as our Chief Innovation Officer since January 2022, after having served as our Vice President of Product Marketing from September 2019. Prior to joining us, Ms. Kaphan served as Vice President of Product and Marketing at Mazor Robotics Ltd. from 2015 to 2018, and General Manager at Essence Group from 2014 to 2015. She also served as Marketing Director at Phillips from 2011 to 2014. Prior to that, Ms. Kaphan served as Business Development Director at Lumenis from 2001 to 2011 and Product Manager at Elscint Ltd. from 1991 to 2001. Ms. Kaphan holds an M.B.A. in International marketing from Tel Aviv University and received her bachelor's degree in Economics and Accounting from Haifa University

Dr. Orit Wimpfheimer has served as our Chief Medical Officer and Vice President Product Nanox AI since January 2022. Dr. Wimpfheimer previously held the position of Chief Medical Officer and Head of Product Strategy at Zebra Medical Vision, until its acquisition by the Company. Dr. Wimpfheimer is the co-founder of Remote Radiology International, with over 20 years of experience in the radiology field. Dr Wimpfheimer received her MD degree from Albert Einstein College of Medicine and completed her diagnostic radiology residency at New York Presbyterian Hospital in New York.

Non-Employee Directors

Ran Poliakine, our founder, has served as a member of our board of directors since our inception and has served as the Chairman of the Board of Directors since the closing of our initial public offering. Mr. Poliakine served as our Chief Executive Officer from September 2019 until January 2022, and has served as Chief Executive Officer of Nanox Gibraltar from August 2018 until November 2019. Prior to that, Mr. Poliakine served as Chief Strategy Officer of Nanox Gibraltar from June 2015 to August 2018. Mr. Poliakine is a serial entrepreneur and has founded numerous companies over the past two decades, including SixAI Ltd. ("SixAI") and its two controlled subsidiaries 634 Ai Ltd. ("634 Ai") and Musashi Ai Ltd., Powermat Technologies Ltd., Wellsense, Inc., Wellsense Technologies Ltd., Tap Systems, Inc. and Illumigyn Ltd. ("Illumigyn"). Mr. Poliakine is the chief executive officer and a member of the board of directors of SixAI, the chairman of the board of directors and a senior advisor to Illumigyn, and a member of the board of directors of Powermat Technologies Ltd., 634 Ai and CLKIM Ltd.

Dr. Floyd Katske has served as a member of our board of directors since February 2020. Dr. Katske is a urologic surgeon who graduated with honors from the George Washington University School of Medicine and then trained in urology at the University of California, Los Angeles. Dr. Katske served as the Chief of Urology at the UCLA/OliveView Medical Center and the Chief of Surgery and Chief of Staff at the Henry Mayo Newhall Hospital in Los Angeles. In 1997, Dr. Katskewas elected the President of the California Urological Association - the largest such professional organization in the United States. Dr Katske has published more than 60 academic papers on various fields of surgery and urology. Dr. Katske currently sits on the Board of Directors of Triurol Inc, and is the President of the Hutton Family Foundation.

Richard Stone has served as a member of our board of directors since November 2019. Professor Stone has taught at Columbia University Law School since 1974, and became Professor Emeritus in 2018. Professor Stone has taught courses in several fields of business law, specializing in federal income taxation. From 1969 to 1973, Professor Stone served in the United States Justice Department as Assistant to the Solicitor General of the United States. Beginning in 1981, Professor Stone began providing consulting to private and public technology start-ups, primarily in the biotechnology field. Professor Stone co-founded several biotechnology companies, including Lev Pharmaceuticals, Siga Technologies and OptMed. In 2007, Professor Stone began working primarily with Israeli technology companies, mostly in the medical space. Professor Stone is a member of the board of directors of OptMed, Inc., Espro Information Technologies, Quality In Flow, LabStyle Innovations and Illumigyn. Professor Stone received his bachelor's degree, Magna Cum Laude, from Harvard College, and his Juris Doctor degree, Magna Cum Laude, from Harvard Law School.

Noga Kainan has served as a member of our board of directors since February 2021. Ms. Kainan established in 2008 the forum for owners, chairpersons and CEOs of the leading companies in the Israeli economy. Ms. Kainan also serves as chairperson of the CFO Forum, which brings together the CFOs of the leading companies in the economy, since she established it in 1997. Ms. Kainan's public activities include membership in committees in the Israeli Prime Minister's Office, member in the Board of Trustees of Bar Ilan University, the College of Management in Israel, and the council of NGO for IDF soldiers' welfare. Ms. Kainan heads an association that she founded to promote the integration of autistic students in academia. Ms. Kainan served as a director of the following companies traded on the Tel Aviv Stock Exchange: Bizportal Ltd., Poalim I.B.I – Managing & Underwriting Ltd. and Analyst Provident Funds Ltd. Ms. Kainan also served as director at Oil Refineries Ltd. before the company was listed on the Tel Aviv Stock Exchange. Ms. Kainan served as a representative at the International Association of Financial Executives Institutes (IAFEI). Ms. Kainan, co-authored "Israel - Success Story," translated to English under the name: "Israel - Island of Success." Ms. Kainan has a bachelor's degree in art and literature from Haifa University and an M.B.A. degree from Tel Aviv University.

Dan Suesskind has served as a member of our board of directors since February 2021. Mr. Suesskind served as the Chief Financial Officer of Teva Pharmaceutical Industries Ltd. ("Teva") from 1977 to 2008 and as a director of Teva for several periods of time until 2018. Mr. Suesskind also served as a director of the following companies: Israel Corporation Ltd., Redhill Biopharma Ltd., Syneron Medical Ltd., Migdal Ltd., Ness Technologies Inc., The First International Bank of Israel, First International Selective Investment – Portfolio Management Company Ltd., LanOptics Ltd., ESC Medical Systems and the Hadassah Medical Center in Jerusalem. Mr. Suesskind is currently a director of Nextar Chempharma Solutions Ltd., Sanotize Research and Development Corp., Imed Infinity Medical Limited partnership (TASE) and The Jerusalem Foundation. Mr. Suesskind's public activities include membership in the Investment Committee of the Israeli Academy of Sciences and Humanities, the Ben Gurion University and the Jerusalem Foundation. Mr. Suesskind is a member of the Board of Trustees of the Hebrew University of Jerusalem and of the Board of Trustees of the Ben Gurion University. Mr. Suesskind has a bachelor's degree in economics and political science from the Hebrew University of Jerusalem and an M.B.A. degree from the University of Massachusetts.

Erez Alroy was appointed by our board of directors to serve as a member of our board of directors as of March 31, 2022. From 2014 and until 2020, Mr. Alroy was a major shareholder and the chairman of Migvan Engineering and Technology. For almost 20 years, Mr. Alroy held various positions in the Shahal group, including 15 years as chief executive officer of SHL Telemedicine (SIX: SHLTN). Currently Mr. Alroy is a private investor and holds several board positions, including SHL Telemedicine Ltd. and Merhavia Holdings and Investments Ltd. (TASE), an investment firm that invests mainly in life science and healthcare companies. Mr. Alroy holds an MBA degree from the Hebrew University of Jerusalem.

B. Compensation

Compensation of Executive Officers and Directors

For so long as we qualify as a foreign private issuer, we are not required to comply with the proxy rules applicable to U.S. domestic companies, including the requirement applicable to emerging growth companies to disclose the compensation of our chief executive officer and other two most highly compensated executive officers on an individual, rather than an aggregate, basis. The aggregate compensation, including share-based compensation, paid or expensed by us to our executive officers and directors for the year ended December 31, 2021 was approximately $9.2 million. In addition, approximately $0.3 million in the aggregate was set aside or accrued to provide pension, severance, retirement or similar benefits or expenses. This amount does not include business travel, relocation, professional and business association dues, meals and expenses reimbursed to officers, and other benefits commonly reimbursed or paid by companies in Israel, on the same basis for all full-time employees generally.

The table below sets forth the salary expenses and social benefit costs of our five most highly compensated office holders (as defined in the Companies Law) during or with respect to the year ended December 31, 2021. We refer to the five individuals for whom disclosure is provided herein as our "Covered Executives." For purposes of the table and the summary below, "compensation" includes base salary, bonuses, equity-based compensation, retirement or termination payments, and any benefits or perquisites such as car, phone and social benefits, as well as any undertaking to provide such compensation in the future.

	Information Regarding the Covered Executive(1)				
Name and Principal Position(2)	**Base Salary**	**Benefits and Perquisites (3)**	**Variable Compensation (4)**	**Equity-Based Compensation (5)**	**Total**
Ran Poliakine, Chairman of the Board and Former Chief Executive Officer(6)	$ 720,000	$ 237,600	$ 180,000	$ 4,238,872	$ 5,376,472
Ofir Koren Head of the Nanox.ARC Division	279,372	92,193	20,836	567,763	960,164
James Dara, Head of Source and Services Division	230,000	34,897	72,000	567,763	904,661
Itzhak Maayan, Former Chief Financial Officer(7)	221,850	73,211	49,536	575,287	919,884
Tamar Aharon Cohen, Chief Marketing Officer	214,353	70,736	16,334	187,490	488,193
Total	$ 1,665,575	$ 508,637	$ 388,706	$ 6,137,176	$ 8,650,094

(1) In accordance with Israeli law, all amounts reported in the table are in terms of cost to our Company, as recorded in our financial statements for the year ended December 31, 2021.

(2) Cash compensation amounts denominated in currencies other than the U.S. dollar were converted into U.S. dollars at the average conversion rate for the year ended December 31, 2021.

(3) Amounts reported in this column include benefits and perquisites, including those mandated by applicable law. Such benefits and perquisites may include, to the extent applicable to each executive, payments, contributions and/or allocations for pension, severance, vacation, car or car allowance, convalescence pay, payments for social security, tax gross-up payments and other benefits and perquisites consistent with our guidelines, regardless of whether such amounts have actually been paid to the executive.

(4) Amounts reported in this column refer to Variable Compensation such as incentives and earned or paid bonuses as recorded in our financial statements for the year ended December 31, 2021.

(5) Amounts reported in this column represent the expense recorded in our financial statements for the year ended December 31, 2021 with respect to equity-based compensation, reflecting also equity awards made in previous years which have vested during the current year. Assumptions and key variables used in the calculation of such amounts are described in Note 12 to our audited consolidated financial statements, which are included in this annual report.

(6) Ran Poliakine ceased to serve as our Chief Executive Officer on December 31, 2021, although his formal notice period ends on June 30, 2022.

(7) Itzhak Maayan ceased to serve as our Chief Financial Officer in October 2021.

We pay each of our non-employee directors a cash fee of $36,000 per year plus an additional annual fee for service on a board committee of $7,500 per each committee (or $15,000 for the chairperson of a committee). In addition, according to our Compensation Policy, our non-employee directors receive, upon appointment or election to the board of directors, options to purchase our ordinary shares with an economic value at the date of grant of $580,723, vesting quarterly over a period of four years, with full acceleration upon consummation of an M&A Transaction (as defined in our 2019 Equity Incentive Plan).

Effective as of January 1, 2021, we appointed Erez Meltzer as a "Designated Director," as defined in and pursuant to our Compensation Policy, and paid him additional compensation in such capacity, consisting of cash compensation of $80,000 per year and $200,000 in equity-based compensation per year in the form of RSUs to be granted in four equal quarterly installments, calculated according to the fair market value of our ordinary shares on the last trading day of each such quarter. Mr. Meltzer ceased to serve as a Designated Director on December 31, 2021, effective as of his appointment as our Chief Executive Officer.

Directorship Agreements

We have entered into directorship agreements with each of our directors, pursuant to which such directors serve on our board of directors. Pursuant to these agreements, each director was granted options under our 2019 Equity Incentive Plan. For information regarding the beneficial ownership of our ordinary shares by our directors, see "Item 7. Major Shareholders and Related Party Transactions—A. Major Shareholders." .

Employment Agreements

We have entered into written employment agreements with all of our executive officers. These agreements provide for notice periods of varying duration for termination of the agreement by us or by the relevant executive officer, during which time the executive officer will continue to receive base salary and benefits. These agreements also contain customary provisions regarding non-competition, confidentiality of information and assignment of inventions. However, the enforceability of the non-competition provisions may be limited under applicable law. See "Item 3. Key Information—D. Risk Factors—Risks Related to Employee Matters—Under applicable employment laws, we may not be able to enforce covenants not to compete and therefore may be unable to prevent our competitors from benefitting from the expertise of some of our former employees" for a further description of the enforceability of non-competition clauses.

We entered into an employment agreement with Ran Poliakine, our founder, a director and our former Chief Executive Officer. Pursuant to the agreement, if the Company terminates Ran Poliakine's employment and waives his obligation to perform services during the notice period of 180 days, Ran Poliakine will be entitled to receive payments of his base salary and social benefits in lieu of notice for the waived period, up to the full notice period for an immediate termination. The agreement provided Ran Poliakine with a gross monthly base salary equal to $40,000 which was increased to $60,000 upon the consummation of our initial public offering in August 2000. Mr. Poliakine resigned from his position as Chief Executive Officer effective as of January 1, 2022 and his employment will terminate after the 180 days' notice period. Mr. Poliakine continues to serve as chairman of our board of directors.

We entered into an employment agreement with Mr. Meltzer, who has served as a director since December 2019, in connection with his appointment as our Chief Executive Officer, effective as of January 1, 2022. Under the agreement, Mr. Meltzer is entitled to a gross annual salary of US$900,000. In addition, Mr. Meltzer is entitled to an annual bonus (discretionary and based on measurable criteria) of US$900,000, with a guaranteed bonus of at least US$450,000 for the 2022 fiscal year if his employment is continued through the entire fiscal year, with the possibility to withdraw an advance payment on account of the 2022 annual bonus, subject to full recourse (clawback) if the bonus is not earned. Under the agreement, we and Mr. Meltzer is required to provide six months' prior notice of employment termination and we are required to provide 270 days' notice if we terminate the employment during the first year of employment (except for "Cause" as defined in his employment agreement, in which case no prior notice will be required). If we terminate Mr. Meltzer's employment and waive his obligation to perform services during the notice period, Mr. Meltzer will be entitled to receive payments of his base salary, social benefits and a company car in lieu of notice for the waived period, up to the full notice period for an immediate termination. In connection with his appointment as our Chief Executive Officer, we granted Mr. Meltzer options to purchase 300,000 ordinary shares at an exercise price of US$23.84 under our 2019 Equity Incentive Plan, which vest equally on a quarterly basis over 16 quarters commencing effective as of January 1, 2022, subject to the continuous engagement by us at each vesting date. These options will have full acceleration in case of consummation of a Deemed Liquidation (as such term is defined under our 2019 Equity Incentive Plan). The above equity compensation is in addition to Mr. Meltzer's equity compensation as a director. Mr. Meltzer does not receive additional cash compensation as a director.

Equity Incentive Plan

On September 3, 2019, we adopted the 2019 Equity Incentive Plan and its U.S. sub-Plan (the "2019 Equity Incentive Plan" or "Plan"). The 2019 Equity Incentive Plan is intended to afford an incentive to any of our and our affiliates' employees, directors, officers, consultants, advisors and any other person or entity who provides services to us, to continue as service providers, to increase their efforts on our and our affiliates' behalf and to promote our success, by providing such persons with opportunities to acquire a proprietary interest in us. The U.S. sub-Plan applies to our and any of our affiliates' employees, directors, officers, consultants, advisors and any other person or entity who provides services to us who are subject to United States federal income tax.

We may issue under the 2019 Equity Incentive Plan and its U.S. sub-Plan up to 8,041,936 of our ordinary shares, subject to adjustment if particular capital changes affect our share capital or such other number as our board of directors may determine from time to time. Ordinary shares subject to outstanding awards under the 2019 Equity Incentive Plan and its U.S. sub-Plan that subsequently expire, or are cancelled, forfeited or terminated for any reason before being exercised will be automatically, and without any further action, returned to the share reserve under the Plan and will again be available for grant.

During the year ended December 31, 2021, our directors and officers were granted a total of options to purchase an aggregate of 320,510 ordinary shares, with a weighted average exercise price of $45.81 per share, and 7,917 RSUs under our 2019 Equity Incentive Plan. As of December 31, 2021, options to purchase 1,247,852 ordinary shares granted to our executive officers and directors under our 2019 Equity Incentive Plan, at a weighted average exercise price of $13.85, and 2,953 RSUs granted under the 2019 Equity Incentive Plan, were outstanding.

For a description of our compensation policy, see "Item 6. Directors, Senior Management and Employees—C. Board Practices—Compensation Committee."

C. Board Practices

Board of Directors

Our board of directors currently consists of seven directors. Four of our directors qualify as independent directors under the corporate governance standards of the Nasdaq corporate governance rules and the independence requirements of Rule 10A-3 of the Exchange Act.

Under our amended and restated articles of association, the number of directors on our board of directors will be no less than five and no more than ten. The minimum and maximum number of directors may be changed, at any time and from time to time, by vote of our shareholders.

Our directors are divided into three classes with staggered three-year terms. Each class of directors consists, as nearly as possible, of one-third of the total number of directors constituting the entire board of directors. At each annual general meeting of our shareholders, the election or re-election of directors following the expiration of the term of office of the directors of that class of directors will be for a term of office that expires on the third annual general meeting following such election or re-election, such that from 2021 and after, at each annual general meeting, the term of office of only one class of directors will expire. Each director holds office until the third annual general meeting of our shareholders and until his or her successor is duly appointed, unless the tenure of such director expires earlier pursuant to the Companies Law or unless removed from office as described below.

Our directors are divided among three classes as follows: the Class I directors, consisting of Erez Meltzer and Richard Stone, will hold office until our annual general meeting of shareholders to be held in 2024; the Class II directors, consisting of Erez Alroy, Floyd Katske and Noga Kainan, will hold office until our annual general meeting of shareholders to be held in 2022; and the Class III directors, consisting of Ran Poliakine and Dan Suesskind, will hold office until our annual general meeting of shareholders to be held in 2023.

Each of the directors shall be elected by a vote of the holders of a majority of the voting power present and voting at that meeting (excluding abstentions). Each director will hold office until the annual general meeting of our shareholders for the year in which his or her term expires, unless the tenure of such director expires earlier pursuant to the Companies Law or unless he or she is removed from office. Under our amended and restated articles of association, the approval of the holders of at least sixty-six and two-thirds percent or more of the votes cast by those shareholders voting in person or by proxy (including by voting deed) is required to remove any of our directors from office (excluding abstentions).

Under our amended and restated articles of association, our board of directors may appoint directors to fill vacancies on our board of directors, including if the number of directors is below the maximum number of directors who may serve as provided in our amended and restated articles, for a term of office equal to the remaining period of the term of office of the director(s) whose office(s) has been vacated, or in case of a vacancy due to the number of directors serving being less than the maximum number stated in our amended and restated articles, the board of directors shall determine at the time of appointment the class to which the additional director shall be assigned.

Under Israeli law, the chief executive officer or a relative of the chief executive officer of a public company may not serve as the chairman of the board of directors of the company and the chairman or a relative of the chairman may not be vested with the authority of the chief executive officer, in each case, unless approved by a special majority of our shareholders as required under the Companies Law. The shareholders' approval can be provided for a period of five years following an initial public offering, and subsequently, for additional periods of up to three years. In addition, a person who is subordinated, directly or indirectly, to the chief executive officer may not serve as the chairman of the board of directors; the chairman of the board of directors may not be vested with authorities that are granted to persons who are subordinated to the chief executive officer; and the chairman of the board of directors may not serve in any other position in the company or in a controlled subsidiary, but he or she may serve as a director or chairman of a controlled subsidiary. Prior to our initial public offering, we obtained our shareholders' approval that Mr. Ran Poliakine may serve as both our chairman of the board of directors and chief executive officer for a period of up to five years from the closing of our initial public offering. Mr. Poliakine retired from the position of Chief Executive Officer effective as of January 2022 and continues to serve as chairman of our board of directors.

In addition, under the Companies Law, our board of directors must determine the minimum number of directors who are required to have financial and accounting expertise. Under applicable regulations, a director with financial and accounting expertise is a director who, by reason of his or her education, professional experience and skill, has a high level of proficiency in and understanding of business accounting matters and financial statements. He or she must be able to thoroughly comprehend the financial statements of the company and initiate debate regarding the manner in which financial information is presented. In determining the number of directors required to have such expertise, the board of directors must consider, among other things, the type and size of the company and the scope and complexity of its operations. Our board of directors has determined that we require at least one director with the requisite financial and accounting expertise and that Erez Meltzer has such expertise.

There are no family relationships among any of our office holders (including directors).

External Directors

Under the Companies Law, companies incorporated under the laws of the State of Israel, whose shares are publicly traded, including companies with shares listed on the Nasdaq, are required to appoint at least two external directors within three months of the closing of the initial public offering. While we exceeded the three-month period, our shareholders approved the appointment of two external directors, Noga Kainan and Dan Suesskind as external directors in February 2021.

However, pursuant to regulations promulgated under the Companies Law, companies with shares traded on certain U.S. stock exchanges, including the Nasdaq Global Market, may, subject to certain conditions, "opt out" from the Companies Law requirements to appoint external directors and related Companies Law rules concerning the composition of the audit committee and compensation committee of the board of directors.

On March 28, 2022, in accordance with these regulations, our board of directors elected to "opt out" from the Companies Law requirement to appoint external directors and related Companies Law rules concerning the composition of the audit committee and compensation committee of the board of directors, effective as of March 31, 2022. Under these regulations, the exemptions from such Companies Law requirements will continue to be available to us so long as: (i) we do not have a "controlling shareholder" (as such term is defined under the Companies Law), (ii) our shares are traded on certain U.S. stock exchanges, including the Nasdaq Global Market, and (iii) we comply with the director independence requirements and the audit committee and compensation committee composition requirements under U.S. laws (including applicable Nasdaq rules) applicable to U.S. domestic issuers. Our directors who were previously designated as external directors, Noga Kainan and Dan Suesskind shall continue to serve to serve as "ordinary" (non-external) directors, as Class II and Class III directors, respectively, until the end of the term of their respective class.

Audit Committee

Companies Law Requirements

In accordance with regulations promulgated under the Companies Law described above, on March 28, 2022, our board of directors elected to "opt out" from the Companies Law requirement to appoint external directors and related rules concerning the composition of the audit committee and compensation committee, effective as of March 31, 2022. Under such exemption, among other things, the composition of our audit committee must comply with the requirements of SEC and Nasdaq rules.

Nasdaq Listing Requirements

Under the Nasdaq corporate governance rules, we are required to maintain an audit committee consisting of at least three independent directors, all of whom are financially literate, none of whom has participated in the preparation of our or any of our subsidiary's financial statements at any time during the prior three years and one of whom has accounting or related financial management expertise.

In accordance with U.S. law and Nasdaq requirements, our audit committee is responsible for the appointment, compensation and oversight of the work of our independent auditors and for assisting our board of directors in monitoring our financial statements, the effectiveness of our internal controls and our compliance with legal and regulatory requirements.

Our audit committee consists of Noga Kainan, Dan Suesskind and Richard Stone. Noga Kainan serves as chairperson of the audit committee. Our board of directors has determined, in its business judgment, that Noga Kainan is an audit committee financial expert as defined by the SEC rules and has the requisite financial experience as defined by the Nasdaq corporate governance rules.

Each of the members of the audit committee is required to be "independent" as such term is defined in Rule 10A-3(b)(1) under the Exchange Act.

Audit Committee Role

Our board of directors has adopted an audit committee charter setting forth the responsibilities of the audit committee consistent with the rules of the SEC and the Nasdaq corporate governance rules, as well as the requirements for such committee under the Companies Law, which include:

- recommending the retention and termination of our independent registered public accounting firm to the board of directors in accordance with Israeli law;
- recommending to the board of directors in accordance with Israeli law the appointment, compensation, retention and oversight of any accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit services;
- recommending the terms of audit and non-audit services to be provided by the independent registered public accounting firm for pre-approval by our board of directors;
- recommending the engagement or termination of the person filling the office of our internal auditor;
- reviewing with management and our independent directors our financial statements prior to their submission to the SEC; and
- approval of certain transactions with office holders and controlling shareholders, as described below, and other related party transactions.

Additionally, under the Companies Law, the role of the audit committee includes the identification of irregularities in our business management, among other things, by consulting with the internal auditor or our independent auditors and suggesting an appropriate course of action to the board of directors. The audit committee is also required to adopt procedures with respect to processing of employees' complaints in connection with deficiencies in the management of the company, and the appropriate means of protection afforded to such employees. In addition, the audit committee or the board of directors, as set forth in the articles of association of the company, is required to approve the yearly or periodic work plan proposed by the internal auditor, and where the board of directors approves such work plan, to examine such work plan before its submission to the board of directors and propose amendments thereto. The audit committee is required to assess the company's internal audit system and the performance of its internal auditor. The Companies Law also requires that the audit committee assess the scope of the work and compensation of the company's external auditor. In addition, the audit committee is required to determine whether certain related party actions and transactions are "material" or "extraordinary" for the purpose of the requisite approval procedures under the Companies Law and whether certain transactions with a controlling shareholder will be subject to a competitive procedure.

The audit committee charter states that in fulfilling its role the committee is empowered to conduct or authorize investigations into any matters within its scope of responsibilities.

Approval of Transactions with Related Parties

The approval of the audit committee is required to effect specified actions and transactions with office holders and controlling shareholders and their relatives, or in which they have a personal interest. The audit committee may not approve an action or a transaction with a controlling shareholder or with an office holder unless, among other things, at the time of approval the audit committee meets the composition requirements under the Companies Law.

The Companies Law requires that an office holder promptly disclose to the board of directors any personal interest that he or she may have, and all related material information known to him or her concerning any existing or proposed transaction with the company. A personal interest includes an interest of any person in an act or transaction of a company, including a personal interest of one's relative or of a corporate body in which such person or a relative of such person is a 5% or greater shareholder, director or general manager or in which he or she has the right to appoint at least one director or the general manager, but excluding a personal interest stemming solely from one's ownership of shares in the company. A personal interest includes the personal interest of a person for whom the office holder holds a voting proxy or the personal interest of the office holder with respect to his or her vote on behalf of a person for whom he or she holds a proxy even if such shareholder has no personal interest in the matter.

If it is determined that an office holder has a personal interest in a non-extraordinary transaction, meaning any transaction that is in the ordinary course of business, on market terms or that is not likely to have a material impact on the company's profitability, assets or liabilities, approval by the board of directors is required for the transaction, unless the company's articles of association provide for a different method of approval. Any such transaction that is adverse to the company's interests may not be approved by the board of directors.

Approval first by the company's audit committee and subsequently by the board of directors is required for an extraordinary transaction (meaning, any transaction that is not in the ordinary course of business, not on market terms or that is likely to have a material impact on the company's profitability, assets or liabilities) in which an office holder has a personal interest.

A director and any other office holder who has a personal interest in a transaction which is considered at a meeting of the board of directors or the audit committee may generally (unless it is with respect to a transaction which is not an extraordinary transaction) not be present at such a meeting or vote on that matter unless a majority of the directors or members of the audit committee, as applicable, have a personal interest in the matter. If a majority of the members of the audit committee or the board of directors have a personal interest in the approval of such a transaction then all of the directors may participate in deliberations of the audit committee or board of directors, as applicable, with respect to such transaction and vote on the approval thereof and, in such case, shareholder approval is also required.

Certain disclosure and approval requirements apply under Israeli law to certain transactions with controlling shareholders, certain transactions in which a controlling shareholder has a personal interest and certain arrangements regarding the terms of service or employment of a controlling shareholder.

Compensation Committee

In accordance with regulations promulgated under the Companies Law described above, on March 28, 2022, our board of directors elected to "opt out" from the Companies Law requirement to appoint external directors and related rules concerning the composition of the audit committee and compensation committee, effective as of March 31, 2022.

Under the Nasdaq corporate governance rules, we are required to maintain a compensation committee consisting of at least two directors, each of whom is an independent director within the meaning of the Nasdaq corporate governance rules. Our compensation committee currently complies with the provisions of Nasdaq corporate governance rules relating to composition requirements.

The compensation committee consists of Dan Suesskind, Noga Kainan and Erez Alroy, and assists the board of directors in determining compensation for our directors and officers. Dan Suesskind serves as chairperson of the compensation committee.

Compensation Committee Role

In accordance with the Companies Law, the roles of the compensation committee are, among others, as follows:

- to recommend to the board of directors the compensation policy for directors and officers, and, once every three years, or five years from a company's initial public offering, to recommend to the board of directors, whether the compensation policy that had been approved should be extended for a longer period of time;
- to recommend to the board of directors updates to the compensation policy, from time to time, and examine its implementation;
- to decide whether to approve the terms of office and employment of directors and officers that require approval of the compensation committee; and
- to decide whether the compensation terms of the chief executive officer, which were determined pursuant to the compensation policy, will be exempted from approval by the shareholders because such approval would harm the ability to engage the chief executive officer.

In addition to the roles mentioned above, our compensation committee may also make recommendations to our board of directors regarding the awarding of employee equity grants.

Compensation Policy

In general, under the Companies Law, a public company must have a compensation policy approved by the board of directors after receiving and considering the recommendations of the compensation committee. In addition, the compensation policy requires the approval of the general meeting of the shareholders. In public companies such as our company, shareholder approval by a majority vote of the ordinary shares present and voting at a meeting of shareholders called for such purpose is required, provided that either: (i) such majority includes the majority of the votes of those shareholders who are non-controlling shareholders and shareholders who do not have a personal interest in the approval of the compensation policy, who voted at the meeting (excluding abstentions) or (ii) the total number of votes against the proposal among the shareholders mentioned in clause (i) does exceed 2% of the voting rights in the company. Under special circumstances, the board of directors may approve the compensation policy despite the objection of the shareholders on the condition that the compensation committee and then the board of directors decide, on the basis of detailed arguments and after discussing again the compensation policy, that approval of the compensation policy, despite the objection of the meeting of shareholders, is in the best interests of the company.

However, if a company initially offering its securities to the public, adopts a compensation policy in advance of its initial public offering, and describes the compensation policy in the prospectus relating to the offering, or adopts a compensation policy within nine months from the date the company becomes a public company, then the compensation policy is deemed a validly adopted policy in accordance with the Companies Law requirements described above and will be valid for a term of five years from the date such company becomes a public company.

The compensation policy must be based on certain considerations, include certain provisions and needs to reference certain matters as set forth in the Companies Law.

The compensation policy must serve as the basis for decisions concerning the financial terms of employment or engagement of office holders, including exculpation, insurance, indemnification or any monetary payment or obligation of payment in respect of employment or engagement. The compensation policy must relate to certain factors, including advancement of the company's objectives, business plan and long-term strategy, and creation of appropriate incentives for office holders. It must also consider, among other things, the company's risk management, size and the nature of its operations. The compensation policy must furthermore consider the following additional factors:

- the education, skills, experience, expertise and accomplishments of the relevant office holder;
- the office holder's position, responsibilities and prior compensation agreements with him or her;
- the ratio between the cost of the terms of employment of an office holder and the cost of the employment of other employees of the company, including employees employed through contractors who provide services to the company, in particular the ratio between such cost, the average and median salary of the employees of the company, as well as the impact of such disparities on the work relationships in the company;
- if the terms of employment include variable components — the possibility of reducing variable components at the discretion of the board of directors and the possibility of setting a limit on the exercise value of non-cash variable equity-based components; and
- if the terms of employment include severance compensation — the term of employment or office of the office holder, the terms of his or her compensation during such period, the company's performance during the such period, his or her individual contribution to the achievement of the company goals and the maximization of its profits and the circumstances under which the office holder is leaving the company.

The compensation policy must also include, with regard to variable components:

- with the exception of office holders who are subordinate to the chief executive officer, determining the variable components on long-term performance basis and on measurable criteria; however, the company may determine that an immaterial part of the variable components of the compensation package of an office holder shall be awarded based on non-measurable criteria, if such amount is not higher than three monthly salaries per annum while taking into account the office holder's contribution to the company;
- the ratio between variable and fixed components, as well as the limit of the values of variable components at the time of their grant.

- a condition under which the office holder will return to the company, according to conditions to be set forth in the compensation policy, any amounts paid as part of his or her terms of employment, if such amounts were paid based on information later to be discovered to be wrong, and such information was than re-presented in the company's financial statements;

- the minimum holding or vesting period of variable equity-based components, while taking into consideration long-term incentives; and

- a limit to retirement grants.

Our compensation policy was approved by the board of directors and the shareholders on February 9, 2021, and will be in effect for a period of five years from the date of approval. Our compensation policy is designed to promote retention and motivation of directors and executive officers, incentivize superior individual excellence, align the interests of our directors and executive officers with our long-term performance and provide a risk management tool. To that end, a portion of an executive officer's compensation package is targeted to reflect our short and long-term goals, as well as the executive officer's individual performance. On the other hand, our compensation policy includes measures designed to reduce the executive officer's incentives to take excessive risks that may harm us in the long-term, such as limits on the value of cash bonuses and equity-based compensation, limitations on the ratio between the variable and the total compensation of an executive officer and minimum vesting periods for equity-based compensation.

Our compensation policy also addresses our executive officers' individual characteristics (such as his or her respective position, education, scope of responsibilities and contribution to the attainment of our goals) as the basis for compensation variation among our executive officers, and considers the internal ratios between compensation of our executive officers and directors and other employees. Pursuant to our compensation policy, the compensation that may be granted to an executive officer may include: base salary, annual bonuses and other cash bonuses (such as relocation, signing and special bonuses) as well as change of control related bonuses, equity-based compensation, benefits and retirement and termination of employment arrangements. All cash bonuses are limited to a maximum amount linked to the executive officer's base salary (or to the total annual compensation in the case of the special bonus for special achievements).

An annual cash bonus may be awarded to executive officers upon the attainment of pre-set periodic objectives and individual targets. The annual cash bonus that may be granted to our executive officers, other than our chief executive officer, will be based on performance objectives and a discretionary evaluation of the executive officer's overall performance by our chief executive officer, subject to minimum thresholds. Furthermore, the performance objectives will be recommended by our chief executive officer and approved by our compensation committee (and, if required by law, by our board of directors).

The performance measurable objectives of our chief executive officer, which will be determined annually by our compensation committee and board of directors, will include the weight to be assigned to each achievement in the overall evaluation. A less significant portion of the chief executive officer's annual cash bonus may be based on a discretionary evaluation of the chief executive officer's overall performance by the compensation committee and the board of directors based on quantitative and qualitative criteria.

The equity-based compensation under our compensation policy for our executive officers is designed in a manner consistent with the underlying objectives in determining the base salary and the annual cash bonus, with its main objectives being to enhance the alignment between the executive officers' interests with our long-term interests and those of our shareholders and to strengthen the retention and the motivation of executive officers in the long term. Our compensation policy entitles our executive officers to compensation in the form of share options or other equity-based awards, such as restricted share units, in accordance with our share incentive plan then in place (subject to the compensation committee's approval or the approval of the board of directors). All equity-based incentives granted to executive officers shall be subject to vesting periods in order to promote long-term retention of the awarded executive officers. The equity-based compensation may be granted from time to time and will be individually determined and awarded according to the performance, educational background, prior business experience, qualifications, role and the personal responsibilities of the executive officer.

In addition, our compensation policy contains compensation recovery provisions which allows us under certain conditions to recover bonuses paid in excess, enables our chief executive officer to approve an immaterial change in the terms of employment of an executive officer (provided that the changes of the terms of employment are in accordance with our compensation policy) and allows us to exculpate, indemnify and insure our executive officers and directors, subject to certain limitations set forth thereto.

Our compensation policy also governs the compensation of the members of our board of directors and determines that the compensation of the directors shall be in accordance with the Companies Regulations (Rules Regarding the Compensation and Expenses of an External Director), 5760-2000, as amended by the Companies Regulations (Relief for Public Companies Traded in Stock Exchange Outside of Israel), 5760-2000, or the compensation of directors regulations, as such regulations may be amended from time to time, provided, however, that under special circumstances such as in the case of a professional director, an expert director or a director who has particular stature or added value and makes a unique contribution to the Company, such director's compensation may be different than the compensation of all other directors. Our directors may also be entitled to receive equity-based compensation in the form of restricted shares, restricted share units or share options subject to an annual maximum and to a vesting period in order to promote long-term retention of the awarded director, subject to the approval of our shareholders, as required under the Companies Law. Furthermore, the chairman of our board of directors may be entitled to a higher base compensation or equity-based compensation.

Approval of Compensation of Directors and Executive Officers

Directors. Under the Companies Law, the compensation of our directors requires the approval of our compensation committee, the subsequent approval of the board of directors and, unless exempted under regulations promulgated under the Companies Law, the approval of the shareholders at a general meeting. If the compensation of our directors is inconsistent with our stated compensation policy, then those provisions that must be included in the compensation policy according to the Companies Law must have been considered by the compensation committee and board of directors, and shareholder approval will also be required, provided that:

- at least a majority of the shares held by all shareholders who are not controlling shareholders and do not have a personal interest in such matter, present and voting at such meeting, are voted in favor of the compensation package, excluding abstentions; or

- the total number of shares of non-controlling shareholders and shareholders who do not have a personal interest in such matter and who vote against the compensation package does not exceed two percent (2%) of the aggregate voting rights in the Company.

Executive officers other than the Chief Executive Officer. The Companies Law requires the approval of the compensation of a public company's executive officers (other than the Chief Executive Officer) in the following order: (i) the compensation committee, (ii) the company's board of directors, and(iii) if such compensation arrangement is inconsistent with the company's stated compensation policy, the company's shareholders (by a special majority vote as discussed above with respect to the approval of director compensation). However, if the shareholders of the company do not approve a compensation arrangement with an executive officer that is inconsistent with the company's stated compensation policy, the compensation committee and board of directors may override the shareholders' decision if each of the compensation committee and the board of directors provide detailed reasons for their decision.

An amendment to an existing arrangement with an office holder who is not the Chief Executive Officer, or a director requires only the approval of the compensation committee, if the compensation committee determines that the amendment is not material in comparison to the existing arrangement. However, according to regulations promulgated under the Companies Law, an amendment to an existing arrangement with an office holder (who is not a director) who is subordinate to the Chief Executive Officer shall not require the approval of the compensation committee if (i) the amendment is approved by the Chief Executive Officer and the company's compensation policy provides that a non-material amendment to the terms of service of an office holder (other than the Chief Executive Officer) may be approved by the Chief Executive Officer and (ii) the engagement terms are consistent with the company's compensation policy.

Chief Executive Officer. Under the Companies Law, the compensation of a public company's Chief Executive Officer is required to be approved by: (i) the company's compensation committee; (ii) the company's board of directors, and (iii) the company's shareholders (by a special majority vote as discussed above with respect to the approval of director compensation). However, if the shareholders of the company do not approve the compensation arrangement with the Chief Executive Officer, the compensation committee and board of directors may override the shareholders' decision if each of the compensation committee and the board of directors provide a detailed report for their decision. The approval of each of the compensation committee and the board of directors should be in accordance with the company's stated compensation policy; however, in special circumstances, they may approve compensation terms of a Chief Executive Officer that are inconsistent with such policy provided that they have considered those provisions that must be included in the compensation policy according to the Companies Law and that shareholder approval was obtained (by a special majority vote as discussed above with respect to the approval of director compensation). In addition, the compensation committee may waive the shareholder approval requirement with regards to the approval of the engagement terms of a candidate for the Chief Executive Officer position, if they determine that the compensation arrangement is consistent with the company's stated compensation policy and that the Chief Executive Officer did not have a prior business relationship with the company or a controlling shareholder of the company and that subjecting the approval of the engagement to a shareholder vote would impede the company's ability to employ the Chief Executive Officer candidate. In the event that the Chief Executive Officer also serves as a member of the board of directors, his or her compensation terms as Chief Executive Officer will be approved in accordance with the rules applicable to approval of compensation of directors.

D. Employees

As of December 31, 2021, we had 186 employees, of which 138 employees are based in Israel, six employees based in Japan, 25 employees based in the United States and 17 employees based in Korea. We have never experienced any employment-related work stoppages and believe our relationship with our employees is good. The following table sets out our total number of employees by function for the last three years.

Area of Activity	As of December 31, 2019	As of December 31, 2020	As of December 31, 2021
General and Administrative	10	22	76
Research and Development	9	24	91
Sales and Marketing	1	4	19
Total	20(1)	50	186

(1) Total does not include subcontractors.

Our human capital resources objectives include, as applicable, identifying, recruiting, retaining, incentivizing and integrating our existing and new employees, advisors and consultants. The principal purposes of our equity and cash incentive plans are to attract, retain and reward personnel through the granting of stock-based and cash-based compensation awards, in order to increase shareholder value and the success of our company by motivating such individuals to perform to the best of their abilities and achieve our objectives.

E. Share Ownership

For information regarding the beneficial ownership of our ordinary shares by our directors and executive officers, see "Item 7. Major Shareholders and Related Party Transactions—A. Major Shareholders."

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

The following table sets forth information with respect to the beneficial ownership of our ordinary shares as of March 31, 2022 by:

- each person or entity known by us to own beneficially more than 5% of our outstanding ordinary shares;
- each of our directors and executive officers;
- all of our directors and executive officers as a group; and
- each selling shareholder.

The beneficial ownership of our ordinary shares is determined in accordance with the rules of the SEC. Under these rules, a person is deemed to be a beneficial owner of a security if that person has or shares voting power, which includes the power to vote or to direct the voting of the security, or investment power, which includes the power to dispose of or to direct the disposition of the security. In determining beneficial ownership percentages, we deem ordinary shares that a shareholder has the right to acquire, including the ordinary shares issuable pursuant to options or warrants that are currently exercisable or exercisable within 60 days of March 31, 2022, if any, to be outstanding and to be beneficially owned by the person with such right to acquire additional ordinary shares for the purposes of computing the percentage ownership of that person, but we do not treat them as outstanding for the purpose of computing the percentage ownership of any other person. The percentage of ordinary shares beneficially owned prior to or after the offering is based on 52,080,400 ordinary shares outstanding as of March 31, 2022.

Except where otherwise indicated, we believe, based on information furnished to us by such owners, that the beneficial owners of the ordinary shares listed below have sole investment and voting power with respect to such shares.

None of our shareholders have different voting rights from other shareholders. To the best of our knowledge, we are not owned or controlled, directly or indirectly, by another corporation or by any foreign government. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

Unless otherwise noted below, the address for each beneficial owner is c/o Communications Center, Neve Ilan, Israel 9085000.

	Shares Beneficially Owned	
Name of Beneficial Owner	**Number**	**Percentage**
5% or greater shareholders		
SK square Co., Ltd. and SK Square Americas, Inc. (formerly known as SK Telecom TMT Investment Corp.)(1)	4,869,909	8.22%
Ran Poliakine(2)	3,504,285	6.23%
Executive Officers		
Erez Meltzer(3)	28,034	*
James Dara (4)	26,833	*
Ran Daniel	-	*
Ofir Koren (5)	26,833	*
Gali Yahav	-	*
Guy Yoskovitz (6)	53,575	*
Tamar Aharon Cohen (7)	10,083	*
Pini Ben Elazar	-	*
Anat Kaphan (8)	25,952	*
Orit Wimpfheimer (9)	6,589	*
Directors		
Ran Poliakine(2)	3,504,285	6.23%
Erez Meltzer(3)	28,034	*
Noga Kainan(10)	2,344	*
Floyd Katske (11)	35,928	*
Richard Stone (12)	379,898	*
Dan Suesskind (13)	2,344	*
Erez Alroy	-	*
All directors and executive officers as a group (16 persons)	4,102,698	7.74%

* Amount represents less than 1% of outstanding ordinary shares.

(1) Based solely on the Schedule 13G filed by SK square Co., Ltd. and SK Square Americas, Inc. with the SEC on February 14, 2022, consisting of (i) 2,607,466 ordinary shares and (ii) a warrant to purchase 2,262,443 ordinary shares held by SK Square Americas, Inc., a wholly owned subsidiary of SK square. Co., Ltd.

(2) Represents (i) 2,873,389 ordinary shares and (ii) options to purchase 630,896 ordinary shares exercisable within 60 days of March 31, 2022.

(3) Represents (i) 4,964 ordinary shares, (ii) options to purchase 20,117 ordinary shares exercisable within 60 days of March 31, 2022 and (iii) 2,953 RSUs that vest within 60 days of March 31, 2022.

(4) Represents options to purchase 26,833 ordinary shares exercisable within 60 days of March 31, 2022.

(5) Represents options to purchase 26,833 ordinary shares exercisable within 60 days of March 31, 2022.

(6) Represents (i) 13,575 ordinary shares and (ii) options to purchase 40,000 ordinary shares exercisable within 60 days of March 31, 2022.

(7) Represents options to purchase 10,083 ordinary shares exercisable within 60 days of March 31, 2022.

(8) Represents options to purchase 25,952 ordinary shares exercisable within 60 days of March 31, 2022.

(9) Represents options to purchase 6,589 ordinary shares exercisable within 60 days of March 31, 2022.

(10) Represents options to purchase 2,344 ordinary shares exercisable within 60 days of March 31, 2022.

(11) Represents (i) options to purchase 17,602 ordinary shares exercisable within 60 days of March 31, 2022 and (iii) 18,326 RSUs that vest within 60 days of March 31, 2022.

(12) Represents (i) 317,042 ordinary shares and (ii) options to purchase 62,856 ordinary shares exercisable within 60 days of March 31, 2022.

(13) Represents options to purchase 2,344 ordinary shares exercisable within 60 days of March 31, 2022.

To our knowledge, other than as disclosed in the table above, our other filings with the SEC and this Annual Report, there has been no significant change in the percentage ownership held by any major shareholder since January 1, 2019. The major shareholders listed above do not have voting rights with respect to their ordinary shares that are different from the voting rights of other holders of our ordinary shares.

As of March 31, 2022, according to the records of Continental Stock Transfer & Trust Co., approximately 3,685,102 (or 7.1%) of our outstanding ordinary shares are held by 28 record holders in the United States, not including Cede & Co., the nominee of the Depository Trust Company, in whose name all shares held in "street name" are held in the United States.

We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

B. Related Party Transactions

Our policy is to enter into transactions with related parties on terms that, on the whole, are no more favorable, or no less favorable, than those available from unaffiliated third parties. Based on our experience in the business sectors in which we operate and the terms of our transactions with unaffiliated third parties, we believe that all of the transactions described below met this policy standard at the time they occurred. The following is a description of material transactions, or series of related material transactions, since January 1, 2021, to which we were or will be a party and in which the other parties included or will include our directors, executive officers, holders of more than 5% of our voting securities or any member of the immediate family of any of the foregoing persons.

Relationship With SKT

On June 17, 2019, Nanox Gibraltar entered into a Strategic Share Purchase Agreement with SK Telecom TMT Investment Corp. ("SKT"), Pureun Partners Asset Management Co., Ltd. and EBEST-PPAM Fund No. 9 (collectively, the "SKT Entities"), pursuant to which Nanox Gibraltar sold 2,262,443 ordinary shares to the SKT Entities for an aggregate purchase price of approximately $5.0 million. In connection with such transaction, Nanox Gibraltar also issued a warrant to SKT to acquire 2,262,443 ordinary shares at an exercise price of $20.87 per share (the "Warrant").

In connection with the transactions described above, Nanox Gibraltar also entered into an investor rights agreement with the SKT Entities (the "Investor Rights Agreement"). The agreement provides for the rights to nominate a member of our board of directors, as well as certain registration rights. The rights under the Investor Rights Agreement terminated upon the closing of our initial public offering. The SKT Entities became parties to the Registration Rights Agreement prior to the closing of our initial public offering. See "Item 10. Additional Information—C. Material Contracts—Registration Rights Agreements" for detailed description of the registration rights.

On June 4, 2020, we entered into a Share Purchase Agreement with SKT, pursuant to which we sold 1,250,000 ordinary shares to SKT for an aggregate purchase price of $20.0 million. In connection with such agreement, we amended the Warrant to extend the exercise period to the earlier of June 17, 2025 or an exit event, which event does not include an initial public offering, and we amended the Investor Rights Agreement which grants SKT the right to appoint Mr. Jung Ho Park (or another person designated by SKT) as a director for a term of three years. In addition, we granted Mr. Park options to purchase 100,000 of our ordinary shares, vesting in equal quarterly installments over a period of four years, at an exercise price of $16.00 per ordinary share. In the event that SKT nominates any replacement director, any such director may receive options with the same terms, but the aggregate number of options granted to all such directors together shall not exceed 100,000. Mr. Park resigned from our Board of Directors in December 2021, at which time his unvested options to purchase 68,750 ordinary shares expired; however, new options to purchase the same number of ordinary shares (i.e., 68,750 shares) may be granted to any successor director, if nominated by SKT.

Furthermore, on June 4, 2020, we entered into a collaboration agreement with SK Telecom Co., Ltd. ("SK Telecom"), pursuant to which we and SK Telecom continue to explore and engage in good faith to develop a definitive agreement for the deployment of 2,500 Nanox Systems in South Korea and Vietnam. With the support of SK Telecom we established a wholly-owned subsidiary in South Korea, which in turn established our new fabrication facility in Korea for the manufacturing of MEMs X-ray chips for the Nanox.ARC. The collaboration agreement expired on December 31, 2021.

In addition, we signed an agreement with Dr. Ilung Kim, who previously served as President of SK Telecom, dated December 16, 2019, for the provision of consulting services to us. Under the agreement, we granted Dr. Kim options to purchase 1,206,290 of our ordinary shares at an exercise price of $2.21 per ordinary share. 301,572 of the options were vested as of the grant date and the remaining 904,718 options will vest in equal monthly installments over a period of three years from the vesting commencement date (September 1, 2019). All unvested options will be fully accelerated immediately prior to the closing of a Deemed Liquidation (as defined in the Equity Incentive Plan). The vested options are exercisable until the earlier of (a) the second anniversary of termination of the engagement between us and Dr. Kim or (b) the tenth anniversary from the date of grant. Effective as of July 1, 2021, the consulting agreement was replaced by an employment agreement with Dr. Kim in connection with appointment as the chief executive officer of our Korean subsidiary.

Agreements With Directors and Officers

The following is a summary of each material contract, other than material contracts entered into in the ordinary course of business, to which we are or have been a party, for the two years immediately preceding the date of this Annual Report.

Relationship With Illumigyn Ltd.

Since December 1, 2019, Illumigyn has sub-leased approximately 165 square meters of private office space, including access to shared public spaces, from us in Neve Ilan, Israel. Mr. Poliakine currently serves as a member of senior management of Illumigyn through a service provider agreement and is a significant shareholder primarily through indirect holdings, and he served as a member of the board of directors of Illumigyn until August 2019. In addition, Mr. Richard Stone is a significant shareholder in, and serves as a member of the board of directors of Illumigyn and Anat Kaphan, our Chief Innovation Officer, also serves as a consultant to Illumigyn. Since December 1, 2019, Illumigyn pays approximately $12,000 per month. During the years ended December 31, 2021 and 2020, the Company received from Illumigyn approximately $125,000 and $163,000, respectively, under the sub lease.

Relationship with SixAI Ltd.

On April 16, 2020, we entered into a service agreement (the "Service Agreement") with SixAI, pursuant to which SixAI shall provide Nanox with certain software development and mechanical engineering services. The Service Agreement was effective as of March 1, 2020 and was extended by mutual agreement of the parties several times until terminated on December 31, 2021. Mr. Poliakine currently serves as a member of the board of directors of SixAI and is a controlling shareholder of SixAI. During the years ended December 31, 2021 and 2020, the Company recorded an expense of $240,000 and $355,000, respectively, relating to this agreement.

Relationship with Wellsense Technologies, Ltd.

Since February 2020, Wellsense Technologies, Ltd. ("Wellsense Technologies") has sub-leased approximately 165 square meters of private office space, including access to shared public spaces, from us in Neve Ilan, Israel. Wellsense Technologies, Ltd. pays approximately $7,000 per month. Each of Ran Poliakine and Richard Stone is a shareholder of the parent company of Wellsense Technologies. During the years ended December 31, 2021 and 2020, the Company received from Wellsense Technologies approximately $66,000 and $59,000, respectively, under the sub lease.

Service Agreement

In February 2021, our shareholders approved the entry into an agreement with Floyd Katske, effective as of October 1, 2020, whereby Floyd Katske will assist the Chief Executive Officer and us with various tasks given his medical knowledge, expertise and experience, as may be requested from time-to-time by our Chief Executive Officer. These tasks are in addition and unrelated to his role as a director. We have agreed to pay Floyd Katske with respect to such services $200 per hour, against an invoice. The services will be limited to 100 hours in any calendar month, according to hours approved by the Chairman. In addition, we agreed to pay Floyd Katske cash compensation consisting of RSUs granted in each calendar quarter, in the amount calculated by dividing (i) two times the cash compensation paid during such quarter as aforesaid by (ii) the fair market value of our ordinary shares on the last trading day of such quarter. All tax consequences will be borne by Floyd Katske. The agreement may be terminated by 14 days' written notice by either party.

Designated Director

Under our compensation policy, we designated Erez Meltzer as a "Designated Director," effective as of January 1, 2021, due to his stature, added value and extraordinary contribution to us, including throughout our initial public offering process and thereafter. As a Designated Director, Erez Meltzer received additional cash compensation (in addition to the annual base compensation and annual equity compensation paid to him for service as a director) of $80,000 per year, and of $200,000 in equity-based compensation in the form of RSUs to be granted in quarterly installments, calculated according to the fair market value of our ordinary shares on the last trading day of such quarter. Mr. Meltzer ceased to serve as a Designated Director on December 31, 2021, effective as of his appointment as our Chief Executive Officer.

Directorship Agreements

We have entered into directorship agreements with each of our directors (other than Erez Alroy, who was recently appointed as a director and with whom we expect to enter into a similar directorship agreement), pursuant to which such directors will serve on our board of directors. Pursuant to these agreements, each director was granted options under our 2019 Equity Incentive Plan in the number and terms set out under "Item 6. Directors, Senior Management and Employees—B. Compensation—Equity Incentive Plan."

Equity Incentive Plans

For a description of our equity incentive plans with members of our board of directors and executive officers, see "Item 6. Directors, Senior Management and Employees—B. Compensation—Equity Incentive Plan."

Directors and Officers Insurance Policy and Indemnification and Exculpation Agreements

Our amended and restated articles of association permit us to exculpate, indemnify and insure each of our directors and officers to the fullest extent permitted by the Companies Law. We have obtained directors' and officers' liability insurance which covers each of our executive officers and directors.

We have entered into agreements with each of our current directors and officers exculpating them from a breach of their duty of care to us to the fullest extent permitted by law, and undertaking to indemnify them to the fullest extent permitted by law including, with respect to liabilities resulting from our initial public offering, to the extent that these liabilities are not covered by insurance, all subject to limited exceptions. This indemnification is limited, with respect to any monetary liability imposed in favor of a third party, to events determined as foreseeable by the board of directors based on our current or expected activities. The maximum aggregate amount of indemnification that we may pay to our directors and officers based on such indemnification agreement shall not exceed the greater of (i) in relation to indemnity in connection with an offering to the public of our securities, the aggregate amount of proceeds from the sale by us and/or any of our shareholders in connection with such public offering, (ii) 25% of our total shareholders' equity pursuant to our most recent financial statements as of the time of the actual payment of indemnification, and (iii) $50 million (in each case as may be increased from time to time by shareholders' approval). Such indemnification amounts are in addition to any insurance amounts.

However, in the opinion of the SEC, indemnification of office holders for liabilities arising under the Securities Act is against public policy and therefore unenforceable.

Registration Rights Agreements

We have entered into a registration rights agreement (the "Registration Rights Agreement") that entitles certain holders of our ordinary shares and other securities convertible into or exchangeable for ordinary shares, including SK Square Americas, Inc. (formerly known as SK Telecom TMT Investment Corp.), to certain piggyback registration rights. See "Item 10. Additional Information—C. Material Contracts—Registration Rights Agreements."

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

A. Consolidated Financial Statements and Other Financial Information

See "Item 18. Financial Statements."

Legal Proceedings

See "Item 4. Information on the Company—B. Business Overview—Legal Proceedings."

Dividend Policy

We have never declared or paid any cash dividends on our ordinary shares and we anticipate that, for the foreseeable future, we will retain any future earnings to support operations and to finance the growth and development of our business. Therefore, we do not expect to pay cash dividends for at least the next several years.

The distribution of dividends may also be limited by the Companies Law, which permits the distribution of dividends only out of retained earnings or earnings derived over the two most recent fiscal years, whichever is higher, provided that there is no reasonable concern that payment of a dividend will prevent a company from satisfying its existing and foreseeable obligations as they become due. In the event that we do not have retained earnings or earnings generated over the two most recent years legally available for distribution, we must seek the approval of the court in order to distribute a dividend, and the court may approve our request if it is convinced that there is no reasonable concern that the payment of a dividend will prevent us from satisfying our existing and foreseeable obligations as they become due. Our amended and restated articles of association provide that dividends will be paid at the discretion of, and upon resolution by, our board of directors, subject to the provision of the Companies Law.

B. Significant Changes

Except as disclosed elsewhere in this annual report on Form 20-F, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report on Form 20-F.

Item 9. Offer and Listing

A. Offer and Listing Details

Our ordinary shares have been listed on the NASDAQ Global Market since August 20, 2020 under the symbol "NNOX."

B. Plan of Distribution

Not applicable.

C. Markets

Our ordinary shares have been listed on the NASDAQ Global Market since August 20, 2020 under the symbol "NNOX."

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

Item 10. Additional Information

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

A copy of our amended and restated articles of association is attached as Exhibit 1.1 to this Annual Report. Our registration number with the Israeli Registrar of Companies is 515942076. Our registration number may be changed by the Israeli Registrar of Companies to indicate that we are a public company. The following are summaries of material provisions of our current amended and restated articles of association that became effective immediately prior to the completion of our initial public offering in August 2020, insofar as they relate to the material terms of our ordinary shares.

Objects of Our Company

Our purpose as set forth in our amended and restated articles of association is to engage in any lawful activity.

Board of Directors

See "Item 6. Directors, Senior Management and Employees—C. Board Practices."

Borrowing Powers

Pursuant to the Companies Law and our amended articles of association, our board of directors may exercise all powers and take all actions that are not required under law or under our amended and restated articles of association to be exercised or taken by our shareholders, including the power to borrow money for company purposes.

Ordinary Shares

As of December 31, 2021, we had 51,791,441 ordinary shares outstanding.

Dividends

We have never declared or paid any cash dividends on our ordinary shares.

We may declare a dividend to be paid to the holders of our ordinary shares in proportion to their respective shareholdings. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Dividend Policy" for more information with respect to the requirements under Israeli law for the declaration and payment of dividends to our shareholders. Under the Companies Law, dividend distributions are determined by the board of directors and do not require the approval of the shareholders of a company unless the company's articles of association provide otherwise. Our amended and restated articles of association do not require shareholder approval of a dividend distribution and provide that dividend distributions may be determined by our board of directors.

Voting Rights

All of our ordinary shares have identical voting and other rights in all respects.

Holders of our ordinary shares have one vote for each ordinary share held on all matters submitted to a vote before the shareholders at a general meeting.

Quorum. In any meeting of shareholders, we will follow the quorum requirements for general meetings as set forth in our amended and restated articles of association, instead of one-third of the issued share capital as required under the Nasdaq Marketplace Rules. Pursuant to our amended and restated articles of association, the quorum required for our general meetings of shareholders will consist of at least two shareholders present in person or by proxy (including by voting deed) and holding shares conferring in the aggregate at least 25% of the voting power of the Company. A meeting adjourned for lack of a quorum will generally be adjourned to the same day of the following week at the same time and place, or to such other day, time or place as indicated by our board of directors if so specified in the notice of the meeting. At the reconvened meeting, subject to a limited exception, any number of shareholders present in person or by proxy shall constitute a lawful quorum.

Vote requirements. An ordinary resolution to be passed at a meeting by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast at a meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes attaching to the ordinary shares cast at a meeting. Both ordinary resolutions and special resolutions may also be passed by a unanimous written resolution signed by all the shareholders of our company, as permitted by the Companies Law and our amended and restated memorandum and articles of association. A special resolution will be required for important matters such as a change of name or making changes to our amended and restated memorandum and articles of association. Holders of the ordinary shares may, among other things, divide or combine their shares by ordinary resolution.

Transfer of Ordinary Shares

Our fully paid ordinary shares are issued in registered form and may be freely transferred under our amended and restated articles of association, unless the transfer is restricted or prohibited by another instrument, applicable law or the rules of a stock exchange on which the shares are listed for trade. The ownership or voting of our ordinary shares by non-residents of Israel is not restricted in any way by our amended and restated articles of association or the laws of the State of Israel, except for ownership by nationals of some countries that are, or have been, in a state of war with Israel.

Liquidation

In the event of our liquidation, after satisfaction of liabilities to creditors and other payments due as per applicable law, our assets will be distributed to the holders of our ordinary shares in proportion to their shareholdings. This right, as well as the right to receive dividends, may be affected by the grant of preferential dividend or distribution rights to the holders of a class of shares with preferential rights that may be authorized in the future.

Redemption of Ordinary Shares

We may, subject to applicable law, issue redeemable shares or other securities and redeem the same with such terms and conditions as the board of directors may deem fit.

Modifications of Rights of Shares

Under the Companies Law and our amended and restated articles of association, the rights attached to any class of share, such as voting, liquidation and dividend rights, may be amended by adoption of a resolution by the holders of a majority of the shares of that class present at a separate class meeting, or otherwise in accordance with the rights attached to such class of shares, as set forth in our amended and restated articles of association, in addition to the ordinary majority vote of all classes of voting shares voting together as a single class.

Issuance of Additional Shares

We may, upon a resolution of the shareholders at a General Meeting, from time to time, increase our share capital by the creation of new shares. Any such increase shall be in such amount and shall be divided into shares of such nominal amounts or without nominal amounts, and such shares shall confer such rights and preferences, and shall be subject to such restrictions, as the resolution approving the creation of such shares shall provide. Except to the extent otherwise provided in the resolution creating such new shares, such new shares shall be subject to all the provisions applicable to the shares of the original capital. Without prejudice to any special rights previously conferred upon the holders of existing shares in the Company, the Company may, from time to time, provide for shares with such preferred or deferred rights or rights of redemption or other special rights and/or such restrictions, whether in regard to dividends, voting, repayment of share capital or otherwise, as may be stipulated in the resolution pursuant to which such shares are created.

Access to Corporate Records

Under the Companies Law, shareholders generally have the right to review minutes of our general meetings, our shareholders register and material shareholders register, our amended and restated articles of association, our annual audited financial statements and any document that we are required by law to file publicly with the Israeli Registrar of Companies or the Israel Securities Authority. In addition, any shareholder who specifies the purpose of their request may request to be provided with any document related to an action or transaction requiring shareholder approval under the related party transaction provisions of the Companies Law. We may deny this request if we believe it has not been made in good faith or if such denial is necessary to protect our interests or protect a trade secret or patent.

Exchange controls

There are currently no Israeli currency control restrictions on remittances of dividends on our ordinary shares, proceeds from the sale of the ordinary shares or interest or other payments to non-residents of Israel, except for shareholders who are subjects of countries that are, or have been, in a state of war with Israel.

Acquisitions under Israeli Law

*Full Tender Offer.*A person wishing to acquire shares of an Israeli public company and who would as a result hold over 90% of the target company's voting rights or issued and outstanding share capital is required by the Companies Law to make a tender offer to all of the company's shareholders for the purchase of all of the issued and outstanding shares of the company. A person wishing to acquire shares of a public Israeli company and who would as a result hold over 90% of the voting rights or issued and outstanding share capital of a certain class of shares is required to make a tender offer to all of the shareholders who hold shares of the relevant class for the purchase of all of the issued and outstanding shares of that class. If the shareholders who do not accept the offer hold less than 5% of the issued and outstanding share capital of the company or of the applicable class, and more than half of the shareholders who do not have a personal interest in the offer accept the offer, all of the shares that the acquirer offered to purchase will be transferred to the acquirer by operation of law. However, a tender offer will also be accepted if the shareholders who do not accept the offer hold less than 2% of the issued and outstanding share capital of the company or of the applicable class of shares.

Upon a successful completion of such a full tender offer, any shareholder that was an offeree in such tender offer, whether such shareholder accepted the tender offer or not, may, within six months from the date of acceptance of the tender offer, petition an Israeli court to determine whether the tender offer was for less than fair value and that the fair value should be paid as determined by the court. However, under certain conditions, the offeror may include in the terms of the tender offer that an offeree who accepted the offer will not be entitled to petition the Israeli court as described above.

If the full tender offer was not accepted in accordance with the above alternatives, the acquirer may not acquire shares of the company that will increase its holdings to more than 90% of the company's issued and outstanding share capital or of the applicable class from shareholders who accepted the tender offer.

Special Tender Offer. The Companies Law provides that an acquisition of shares of an Israeli public company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a holder of 25% or more of the voting rights in the company. This requirement does not apply if there is already another holder of at least 25% of the voting rights in the company. Similarly, the Companies Law provides that an acquisition of shares in a public company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a holder of more than 45% of the voting rights in the company, if there is no other shareholder of the company who holds more than 45% of the voting rights in the company, subject to certain exceptions. A special tender offer must be extended to all shareholders of a company but the offeror is not required to purchase shares representing more than 5% of the voting power attached to the company's outstanding shares, regardless of how many shares are tendered by shareholders. A special tender offer may be consummated only if (i) at least 5% of the voting power attached to the company's outstanding shares will be acquired by the offeror and (ii) the number of shares tendered by shareholders who accept the offer exceeds the number of shares whose holders objected to the offer (excluding the purchaser and its controlling shareholders, holders of 25% or more of the voting rights in the company or any person having a personal interest in the acceptance of the tender offer or any other person acting on their behalf, including relatives and entities under such person's control). If a special tender offer is accepted, then the purchaser or any person or entity controlling it or under common control with the purchaser or such controlling person or entity may not make a subsequent tender offer for the purchase of shares of the target company and may not enter into a merger with the target company for a period of one year from the date of the offer, unless the purchaser or such person or entity undertook to effect such an offer or merger in the initial special tender offer. Shares purchased in contradiction to the tender offer rules under the Companies Law, will have no rights and will become dormant shares.

Merger. The Companies Law permits merger transactions if approved by each party's board of directors and, unless certain requirements described under the Companies Law are met, by a majority vote of each party's shares, and, in the case of the target company, a majority vote of each class of its shares voted on the proposed merger at a shareholders meeting. For purposes of the shareholder vote, unless a court rules otherwise, the merger will not be deemed approved if a majority of the votes of the shares represented at the shareholders meeting that are held by parties other than the other party to the merger, or by any person (or group of persons acting in concert) who holds (or hold, as the case may be) 25% or more of the voting rights or the right to appoint 25% or more of the directors of the other party, vote against the merger. If, however, the merger involves a merger with a company's own controlling shareholder or if the controlling shareholder has a personal interest in the merger, then the merger is instead subject to the same special majority approval that governs all extraordinary transactions with controlling shareholders. If the transaction would have been approved by the shareholders of a merging company but for the separate approval of each class or the exclusion of the votes of certain shareholders as provided above, a court may still approve the merger upon the request of holders of at least 25% of the voting rights of a company, if the court holds that the merger is fair and reasonable, taking into account the value to the parties to the merger and the consideration offered to the shareholders of the target company. Upon the request of a creditor of either party to the proposed merger, the court may delay or prevent the merger if it concludes that there exists a reasonable concern that, as a result of the merger, the surviving company will be unable to satisfy the obligations of the merging entities, and may further give instructions to secure the rights of creditors. In addition, a merger may not be consummated unless at least 50 days have passed from the date on which a proposal for approval of the merger was filed by each party with the Israeli Registrar of Companies and at least 30 days have passed from the date on which the merger was approved by the shareholders of each party. Israeli tax law treats some acquisitions, such as share for share exchanges between an Israeli company and a foreign company, less favorably than U.S. tax laws. For example, Israeli tax law may, under certain circumstances, subject a shareholder who exchanges his ordinary shares for shares in another corporation to taxation prior to the sale of the shares received in such share-for-share swap.

Anti-takeover measures

The Companies Law allows us to create and issue shares having rights different from those attached to our ordinary shares, including shares providing certain preferred rights with respect to voting, distributions or other matters and shares having preemptive rights. No preferred shares are currently authorized under our amended and restated articles of association. In the future, if we do authorize, create and issue a specific class of preferred shares, such class of shares, depending on the specific rights that may be attached to it, may have the ability to frustrate or prevent a takeover or otherwise prevent our shareholders from realizing a potential premium over the market value of their ordinary shares. The authorization and designation of a class of preferred shares will require an amendment to our amended and restated articles of association, which requires the prior approval of the holders of a majority of the voting power attaching to our issued and outstanding shares represented at a general meeting. The convening of the meeting, the shareholders entitled to participate and the majority vote required to be obtained at such a meeting will be subject to the requirements set forth in the Companies Law and our amended articles of association as described above under "—Voting Rights." In addition, we have a classified board structure, which will effectively limit the ability of any investor or potential investor or group of investors or potential investors to gain control of our board of directors, as disclosed under "Item 6. Directors, Senior Management and Employees—C. Board Practices."

General Meetings of Shareholders and Shareholder Proposals

Under Israeli law, we are required to hold an annual general meeting of our shareholders once every calendar year that must be held no later than 15 months after the date of the previous annual general meeting. All general meetings other than the annual meeting of shareholders are referred to in our amended and restated articles of association as special meetings. Our board of directors may call special meetings whenever it sees fit, at such time and place, within or outside of Israel, as it may determine. In addition, the Companies Law provides that our board of directors is required to convene a special general meeting upon the written request of (i) any two or more of our directors or one-quarter or more of the members of our board of directors or (ii) one or more shareholders holding, in the aggregate, either (a) 5% or more of our outstanding issued shares and 1% or more of our outstanding voting power or (b) 5% or more of our outstanding voting power.

Under Israeli law, one or more shareholders holding at least 1% of the voting rights at the general meeting may request that the board of directors include a matter in the agenda of a general meeting to be convened in the future, provided that it is appropriate to discuss such a matter at the general meeting. Our amended and restated articles of association contain procedural guidelines and disclosure items with respect to the submission of shareholder proposals for shareholder meetings.

C. Material Contracts

Recent Acquisition Transactions

On November 2, 2021, the Company completed the acquisition of 100% of the shares of USARAD, pursuant to the terms of the Stock Purchase Agreement, dated October 25, 2021, among the Company, USARAD, Dr. Michael Yuz, other holders of capital stock of USARAD, and holders of USARAD options

On November 3, 2021, the Company completed the acquisition of the platform and other assets of MDWEB, pursuant to the terms of the Asset Purchase Agreement, dated October 21, 2021, between the Company and MDWEB.

On November 4, 2021, the Company, consummated the merger pursuant to the terms of the Agreement and Plan of Merger, dated August 9, 2021, as amended, among the Company, Zebra (now known as Nanox AI), and Perryllion Ltd., as representative of Zebra's equity holders.

For details regarding these agreements, see "Item 4. Information on the Company—A. History and Development of the Company"

FoxSemicon Integrated Technology, Inc. Manufacturing Agreement

On May 26, 2020, we entered into a Contract Manufacturing Agreement with FITI. Under the terms of the agreement, FITI agrees to manufacture, package, distribute and ship, and we agree to purchase, certain products and procurement and assembly services, including a minimum of 1,000 Nanox Systems per year. We agree to provide FITI with a rolling forecast of our estimated monthly purchases, which FITI will use to prepare its supply chain to cover the material and manufacturing needs. Subsequently, we will send purchase orders to FITI for certain products and services. Prices for the products will be agreed by the parties at least 90 days prior to the first expected delivery date. FITI will be entitled to order materials in accordance with an approved supplier list and on the terms that the parties agree upon on a quarterly basis, and FITI must obtain our prior written consent if it procures materials from other suppliers. FITI may also purchase materials from us to support orders pursuant to our requests. The parties also agree to enter into a quality agreement, which will set forth the manufacturing standards applicable to FITI. The agreement will be in effect for three years from the date of the agreement and is renewable for successive terms of one year unless or until either party notifies the other in writing of its intention not to renew with 90 days' prior notice. The agreement has not yet been implemented. The agreement may be terminated by notice of the non-breaching party in case of a material breach of a party's material obligations, or by either party in case of the bankruptcy or insolvency of the other party.

Warrant Agreements

As of March 31, 2022, there were two outstanding warrants, which are currently exercisable: (i) a warrant issued upon the consummation of our initial public offering to A-Labs Advisory & Finance Ltd., which provided to us strategic consulting services, to purchase 50,000 ordinary shares, with an exercise price of $18 per share; and (ii) the warrant issued to SK Square Americas, Inc. (formerly known as SK Telecom TMT Investment Corp.) to purchase 2,262,443 ordinary shares, with an exercise price of $20.87 per share, as described above under "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Relationship With SKT."

Registration Rights Agreements

We have entered into the Registration Rights Agreement with shareholders who held 14,533,835 of our ordinary shares and other securities convertible into or exchangeable for ordinary shares; however, some of these shares have been sold on the market, and the registration rights are no longer applicable. As of the date of this annual report, the registration rights apply to 2,607,466 shares held by SK Square Americas, Inc. (formerly known as SK Telecom TMT Investment Corp.).

Under the terms of the Registration Rights Agreement, and subject to the limitations specified therein, if we register our ordinary shares under the Securities Act for sale to the public, either for our own account or for the account of other security holders or both, the holders of registrable securities are entitled to notice of the intended registration and to include any or all of their registrable securities in the registration. The right of holders of registrable securities to include shares in an underwritten offering is subject to the right of the underwriters to limit the number of shares included in such offering. Holders of registrable securities are generally required to pay all expenses of registration, including the fees and disbursements of its counsel and all underwriting discounts and commissions.

In addition, as of March 31, 2022, SK Square Americas, Inc., as a holder of a warrant to purchase an aggregate of 2,262,443 ordinary shares, is entitled to piggyback registration rights under the terms of such warrant substantially similar to the registration rights described in the preceding paragraph.

D. Exchange Controls

There are currently no Israeli currency control restrictions on remittances of dividends on our ordinary shares, proceeds from the sale of the shares or interest or other payments to non-residents of Israel, except for shareholders who are subjects of certain countries that have been, or are considered to be, in a state of war with Israel.

E. Taxation

Israeli Tax Considerations and Government Programs

General Corporate Tax Structure in Israel

Israeli resident companies are generally subject to corporate tax, currently at the rate of 23% of a company's taxable income. Capital gains derived by an Israeli resident company are subject to tax at the regular corporate tax rate.

Under Israeli tax legislation, a corporation will be considered as an "Israeli resident company" if it meets one of the following: (i) it was incorporated in Israel; or (ii) the control and management of its business are exercised in Israel.

Tax Benefits and Grants for Research and Development

Israeli tax law allows, under certain conditions, a tax deduction for expenditures related to scientific research and development projects, including capital expenditures, for the year in which they are incurred. Expenditures are deemed related to scientific research and development projects, if:

- The expenditures are approved by the relevant Israeli government ministry, determined by the field of research; or
- The research and development is for the promotion of the company and is carried out by or on behalf of the company seeking such tax deduction, or that the expenditure is made by a person that carries out the research and does not own an enterprise which is engaged in the field of research, or that such expenditure constitutes a participation in a research carried out by another person, in both cases, subject to the fulfillment of certain criteria set forth in the Israeli tax law.

The amount of such deductible expenses is reduced by the sum of any funds received through government grants for the financing of such scientific research and development projects. No deduction under these research and development deduction rules is allowed if such deduction is related to an expense invested in an asset depreciable under the general depreciation rules of the Ordinance. Capital Expenditures for scientific research incurred by a company for the promotion or development of the company, which do not meet the above conditions, are deductible in equal amounts over three years.

From time to time, we may apply to the Israeli Innovation Authority (the "IIA"), for approval to allow a tax deduction for research and development expenses during the year incurred. There can be no assurance that such application will be accepted.

Law for the Encouragement of Capital Investments, 5719-1959

The Law for the Encouragement of Capital Investments, 5719-1959 (the "Investment Law"), provides certain incentives for capital investments in production facilities (or other eligible assets) by "Industrial Enterprises" (as defined under the Investment Law). The benefits available under the Investment Law are subject to the fulfillment of conditions stipulated therein. If a company does not meet these conditions, it may be required to refund the amount of tax benefits, as adjusted by the Israeli consumer price index, and interest, or other monetary penalties.

Tax Benefits Subsequent to the 2005 Amendment

An amendment to the Investment Law, which became effective as of April 1, 2005, or the 2005 Amendment, changed certain provisions of the Investment Law. An eligible investment program under the 2005 Amendment qualifies for benefits as a "Benefited Enterprise." Prior to the 2005 Amendment, investment programs under the Investment Law were called "Approved Enterprises." The extent of the tax benefits available under the 2005 Amendment to qualifying income of a Benefited Enterprise depend on, among other things, the geographic location of the Benefited Enterprise in Israel. The location will also determine the period for which tax benefits are available. Such tax benefits include an exemption from corporate tax on undistributed income for a period of between two to ten years, depending on the geographic location of the Benefited Enterprise in Israel, and a reduced corporate tax rate of between 10% and the applicable corporate tax rate for the remainder of the benefits period, depending on the level of foreign investment in the company in each year during the benefits period.

We are not entitled to tax benefits under the 2005 Amendment.

Tax Benefits Under the 2011 Amendment

The Investment Law was significantly amended as of January 1, 2011, or the 2011 Amendment. The 2011 Amendment introduced new benefits to replace those granted in accordance with the provisions of the Investment Law in effect prior to the 2011 Amendment.

The 2011 Amendment introduced new tax benefits for income generated by a "Preferred Company" through its "Preferred Enterprise," in accordance with the definition of such terms in the Investment Law. The definition of a Preferred Company, includes, inter alia, a company incorporated in Israel that (1) is not wholly owned by a government entity, (2) owns a Preferred Enterprise and (3) is controlled and managed from Israel and is subject to further conditions set forth in the Investment Law. Moreover, a Preferred Company needs to meet certain conditions stipulated in the Investment Law such as being an industrial company (including a minimum threshold of 25% export).

A Preferred Company is entitled to a reduced corporate tax rate of 16% with respect to the income attributed to its Preferred Enterprise, unless the Preferred Enterprise is located in development area "A," in which case the rate will be 7.5%. Our operations are currently not located in development area "A."

Dividends distributed from income which is attributed to a "Preferred Enterprise" will be subject to withholding tax at the following rates: (i) Israeli resident individuals—20% and (ii) non-Israeli residents—20%, subject to a reduced tax rate under the provisions of an applicable double tax treaty and subject to the receipt in advance of valid certificate from the Israeli Tax Authority, or the ITA. If such dividends are paid to an Israeli company, no tax is required to be withheld. However, if such dividends are subsequently distributed by such Israeli company to individuals or a non-Israeli company, withholding tax at a rate of 20% or such lower rate as may be provided in an applicable tax treaty will apply.

The provisions of the 2011 Amendment do not apply to existing "Benefited Enterprises" or "Approved Enterprises," which will continue to be entitled to the tax benefits under the Investment Law, as in effect prior to the 2011 Amendment, unless the company owning such enterprises had made an election to apply the provisions of the 2011 Amendment (such election cannot be later rescinded), which is to be filed with the ITA, not later than the date prescribed for the filing of the company's annual Israeli tax return for the respective year.

We are currently not entitled to tax benefits under the 2011 Amendment.

Tax Benefits Under the 2017 Amendment

Additional amendments to the Investment Law became effective in January 2017, or the 2017 Amendment. The 2017 Amendment provides new tax benefits for two types of "Technological Enterprises," as described below, and is in addition to the other existing tax benefit programs under the Investment Law.

The 2017 Amendment provides that a technological company satisfying certain conditions may qualify as a "Preferred Technological Enterprise" and thereby enjoy a reduced corporate tax rate of 12% on income that qualifies as "Preferred Technological Income," as defined in the Investment Law. The tax rate is further reduced to 7.5% for a Preferred Technological Enterprise located in development area "A." In addition, a Preferred Technological Company will enjoy a reduced corporate tax rate of 12% on capital gain derived from the sale of certain "Benefited Intangible Assets" (as defined in the Investment Law) to a related foreign company if the Benefited Intangible Assets were acquired from a foreign company on or after January 1, 2017, for at least NIS 200 million, and the sale receives prior approval from the IIA.

The 2017 Amendment further provides that a technological company satisfying certain conditions may qualify as a "Special Preferred Technological Enterprise" and thereby enjoy a reduced corporate tax rate of 6% on "Preferred Technological Income" regardless of the company's geographic location within Israel. In addition, a Special Preferred Technological Enterprise will enjoy a reduced corporate tax rate of 6% on capital gain derived from the sale of certain "Benefited Intangible Assets" to a related foreign company if the Benefited Intangible Assets were either developed by an Israeli company or acquired from a foreign company on or after January 1, 2017, and the sale received prior approval from the IIA. A Special Preferred Technological Enterprise that acquires Benefited Intangible Assets from a foreign company for more than NIS 500 million may be eligible for these benefits for a period of at least ten years, subject to certain approvals as specified in the Investment Law.

Dividends distributed by a Preferred Technological Enterprise or a Special Preferred Technological Enterprise, paid out of Preferred Technological Income or income attributed to production are generally subject to withholding tax at the rate of 20% or such lower rate, as may be provided in an applicable tax treaty (subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate). However, if such dividends are paid to an Israeli company, no tax is required to be withheld. However, if such dividends are subsequently distributed by such Israeli company to individuals or a non-Israeli company, withholding tax at a rate of 20% or such lower rate as may be provided in an applicable tax treaty will apply. If dividends paid out of Preferred Technological Income are distributed to a foreign company and other conditions are met, the withholding tax rate will be 4% (or a lower rate under a tax treaty, if applicable, subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate).

We are currently not entitled to tax benefits under the 2017 Amendment.

Taxation of Our Shareholders

Capital Gains

Capital gain tax is imposed on the disposition of capital assets by an Israeli resident for tax purposes, and on the disposition of such assets by a non-Israeli resident for tax purposes if those assets are (i) located in Israel; (ii) are shares or a right to a share in an Israeli resident corporation, or (iii) located outside of Israel which mainly represent, directly or indirectly, rights to assets, property or inventory located in Israel. The Ordinance distinguishes between "Real Capital Gain" and the "Inflationary Surplus." Real Capital Gain is the excess of the total capital gain over Inflationary Surplus computed generally on the basis of the increase in the Israeli consumer price index or, in certain circumstances, a foreign currency exchange rate, between the date of purchase and the date of disposition. The inflationary surplus accumulated from and after December 31, 1993, is exempt from any capital gains tax in Israel while the real gain is taxed at the applicable rate discussed below.

Real Capital Gain accrued by individuals on the sale of our ordinary shares will be taxed at the rate of 25%. However, if the individual shareholder is a "Controlling Shareholder" (i.e., a person who holds, directly or indirectly, alone or together with another, 10% or more of one of the Israeli resident company's "means of control," which includes, among other things, the right to receive profits of the company, voting rights, the rights to receive proceeds upon the company's liquidation and the right to appoint a director) at the time of sale or at any time during the preceding 12-month period, such capital gain will be taxed at the rate of 30%. Furthermore, where an individual claimed real interest expenses and linkage differentials on securities, the capital gain on the sale of the securities will taxed at a rate of 30% (exclusive of excess tax described below).

Real Capital Gain derived by corporations will be generally subject to the corporate tax rate (23% in 2022).

Individual and corporate shareholder dealing in securities in Israel are taxed at the tax rates applicable to business income—23% for corporations in 2022 and a marginal tax rate of up to 47% (in 2022) for individuals, not including excess tax (described below). Notwithstanding the foregoing, Real Capital Gain derived from the sale of our ordinary shares by a non-Israeli shareholder may be exempt under the Ordinance from Israeli taxation provided that the following cumulative conditions are met: (i) the shares were purchased upon or after the registration of the shares on the stock exchange, (ii) the seller does not have a permanent establishment in Israel to which the derived capital gain is attributable, (iii) if the seller is a corporation, no more than 25% of its means of control are held, directly and indirectly, alone or together with another by Israeli residents, and (iv) if the seller is a corporation, there is no Israeli resident that is entitled to 25% or more of the revenues or profits of the corporation, directly or indirectly. In addition, such exemption would not be available to a person whose capital gains from selling or otherwise disposing of the securities are deemed to be business income. In addition, this exemption shall not be relevant to the part of the capital gains allocable to the holding period before the shares were listed for trading on the stock exchange (however, such portion might also be exempt from tax in Israel if certain criteria are met).

In addition, the sale of shares may be exempt from Israeli capital gain tax under the provisions of an applicable tax treaty. For example, the Convention between the Government of the United States and the Government of the State of Israel with respect to Taxes of Income, as amended, or the U.S.-Israel Double Tax Treaty, exempts U.S. residents for the purposes of the treaty from Israeli capital gain tax in connection with such sale, provided (i) the U.S. resident owned, directly or indirectly, less than 10% of the Israeli resident company's voting power at any time within the 12-month period preceding such sale; (ii) the seller, being an individual, is present in Israel for a period or periods of less than 183 days during the taxable year; and (iii) the capital gain from the sale was not derived through a permanent establishment of the U.S. resident in Israel.

Shareholders may be liable for Israeli tax on the sale of their ordinary shares and the payment of the consideration may be subject to withholding of Israeli tax. Shareholders may be required to demonstrate that they are exempt from tax on their capital gains in order to avoid withholding at the time of sale. For example, in transactions involving a sale of all of the shares of an Israeli resident company, in the form of a merger or otherwise, the ITA may require from shareholders who are not liable for Israeli tax to sign declarations in forms specified by this authority or obtain a specific exemption from the ITA to confirm their status as a non-Israeli resident, and, in the absence of such declarations or exemptions, may require the purchaser of the shares to withhold taxes.

The purchaser, the Israeli stockbrokers or financial institutions through which the shares are held is obligated, subject to the above mentioned exemptions, to withhold tax on the amount of consideration paid upon the sale of the shares (or on the Real Capital Gain on the sale, if known) at the rate of 25% in respect of an individual and 23% in respect of a corporation.

Upon the sale of securities traded on a stock exchange, a detailed return, including a computation of the tax due, generally need to be filed and an advanced payment must be paid on January 31 and July 31 of every calendar year in respect of sales of securities made within the previous six months. However, if all tax due was withheld according to applicable provisions of the Ordinance and regulations promulgated thereunder the aforementioned return need not be filed and no advance payment must be paid. Capital gain is also reportable on the annual income tax return.

Dividends

We have never paid cash dividends. A distribution of dividends to a Preferred Enterprise to an Israeli resident individual, will generally be subject to withholding tax at a rate of 25% or 30% if the dividend recipient is a "Controlling Shareholder" (as defined above) at the time of distribution or at any time during the preceding 12-month period. If the recipient of the dividend is an Israeli resident corporation, such dividend will be exempt from income tax provided the income from which such dividend is distributed was derived or accrued within Israel (although, if such dividends are subsequently distributed to non-Israeli individuals or a non-Israeli company, withholding tax at a rate of 25% or such lower rate as may be provided if an applicable tax treaty will apply (subject to the receipt in advance of a valid tax certificate from the ITA allowing for a reduced tax rate)).

A non-Israeli resident (either individual or corporation) is generally subject to Israeli withholding tax on the receipt of dividends at the rate of 25% (30% if the dividends recipient is a "Controlling Shareholder" (as defined above), at the time of distribution or at any time during the preceding 12-month period); those rates are subject to a reduced tax rate under the provisions of an applicable double tax treaty (subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate). Under the U.S.-Israel Double Tax Treaty, the following withholding rates will apply in respect of dividends distributed by an Israeli resident company to a U.S. resident: (i) if the U.S. resident is a corporation which holds during that portion of the taxable year which precedes the date of payment of the dividend and during the whole of its prior taxable year (if any), at least 10% of the outstanding voting shares of the Israeli resident paying corporation and not more than 25% of the gross income of the Israeli resident paying corporation for such prior taxable year (if any) consists of certain type of interest or dividends—the tax rate is 12.5%, (ii) if both the conditions mentioned in (i) above are met and the dividend is paid from an Israeli resident company's income which was entitled to a reduced tax rate applicable to an Approved Enterprise, Benefited Enterprise or Preferred Enterprise—the tax rate is 15% if a certificate for a reduced withholding tax rate would be provided in advance from the ITA and (iii) in all other cases, the tax rate is 25%. The aforementioned rates under the U.S.-Israel Double Tax Treaty will not apply if the dividend income was derived through a permanent establishment of the U.S. resident in Israel.

A non-Israeli resident who receives dividends from which tax was withheld is generally exempt from the obligation to file tax returns in Israel with respect to such income, provided that (i) such income was not generated from business conducted in Israel by the taxpayer and (ii) the non-Israeli resident is not subject to Excess Tax in Israel, and; (iii) the taxpayer has no other taxable sources of income in Israel with respect to which a tax return is required to be filed.

Excess Tax

Individuals who are subject to tax in Israel (whether such individual is an Israeli resident or non-Israeli resident) are also subject to an additional tax on annual income exceeding a certain threshold (NIS 663,240, for 2022), which amount is linked to the Israeli consumer price index and therefore is usually adjusted on an annual basis, at a rate of 3%, including, but not limited to, income derived from dividends, interest and capital gains.

Estate and Gift Tax

Israeli law presently does not impose estate tax or in general gift taxes.

U.S. Federal Income Tax Considerations

The following discussion is a summary of U.S. federal income tax considerations generally applicable to the ownership and disposition of our ordinary shares. This summary applies only to investors that are U.S. Holders (as defined below) that hold our ordinary shares as "capital assets" (generally, property held for investment) under the U.S. Internal Revenue Code of 1986, as amended (the "Code"). This discussion is based upon U.S. federal tax law as in effect on the date of this annual report on Form 20-F and on U.S. Treasury regulations in effect or, in some cases, proposed, as of the date of this annual report on Form 20-F, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing authorities are subject to differing interpretations or change, which change could apply retroactively and could affect the tax considerations described below. No ruling has been sought from the Internal Revenue Service, or the IRS, with respect to any U.S. federal income tax considerations described below, and there can be no assurance that the IRS or a court will not take a contrary position. This discussion, moreover, does not address the U.S. federal estate, gift, alternative minimum tax considerations, the Medicare tax on certain net investment income, any withholding or information reporting requirements, or any state, local and non-U.S. tax considerations relating to the ownership or disposition of our ordinary shares. The following summary does not address all aspects of U.S. federal income taxation that may be important to particular investors in light of their individual circumstances or to persons in special tax situations such as:

- banks and other financial institutions;
- insurance companies;

- pension plans;
- cooperatives;
- regulated investment companies;
- real estate investment trusts;
- broker-dealers;
- traders that elect to use a mark-to-market method of accounting;
- certain former U.S. citizens or long-term residents;
- tax-exempt entities (including private foundations);
- holders who acquire our ordinary shares pursuant to any employee share option or otherwise as compensation;
- investors that will hold our ordinary shares as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes;
- persons holding our ordinary shares in connection with a trade or business outside the United States;
- persons that actually or constructively own 10% or more of our stock (by vote or value);
- investors that have a functional currency other than the U.S. dollar; and
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes, or persons holding our ordinary shares through such entities, all of whom may be subject to tax rules that differ significantly from those discussed below.

Investors are urged to consult their tax advisors about the application of the U.S. federal income tax rules to their particular circumstances as well as the state, local, non-U.S. and other tax consequences to them of the ownership and disposition of our ordinary shares.

General

For purposes of this discussion, a "U.S. Holder" is a beneficial owner of our ordinary shares that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created in, or organized under the law of, the United States or any state thereof or the District of Columbia;
- an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust (A) the administration of which is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust or (B) that has otherwise validly elected to be treated as a U.S. person under the Code.

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of our ordinary shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding our ordinary shares and their partners are urged to consult their tax advisors regarding the ownership and disposition of our ordinary shares.

Dividends

Any cash distributions (including the amount of any Israeli tax withheld) paid on our ordinary shares out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, will generally be includible in the gross income of a U.S. Holder as dividend income on the day actually or constructively received by the U.S. Holder. Because we do not intend to determine our earnings and profits on the basis of U.S. federal income tax principles, any distribution we pay will generally be treated as a "dividend" for U.S. federal income tax purposes. Dividends received on our ordinary shares will not be eligible for the dividends received deduction allowed to corporations in respect of dividends received from U.S. corporations.

Individuals and other non-corporate U.S. Holders may be subject to tax at the lower capital gains tax rate applicable to "qualified dividend income," provided that certain conditions are satisfied, including that (1) the ordinary shares on which the dividends are paid are readily tradable on an established securities market in the United States, or we are eligible for the benefit of the U.S.-Israel Double Tax Treaty, (2) we are neither classified as a PFIC nor treated as such with respect to a U.S. Holder (as discussed below) for the taxable year in which the dividend is paid or the preceding taxable year, and (3) certain holding period and other requirements are met. Our ordinary shares are listed and traded on the Nasdaq Global Market. Thus, we believe that our ordinary shares will generally be considered to be readily tradable on an established securities market in the United States. There can be no assurance that the ordinary shares will continue to be considered readily tradable on an established securities market in later years. U.S. Holders are urged to consult their tax advisors regarding the availability of the lower rate for dividends paid with respect to our ordinary shares.

For U.S. foreign tax credit purposes, dividends received on our ordinary shares will generally be treated as income from foreign sources and will generally constitute passive category income. A U.S. Holder may be subject to Israeli withholding taxes on dividends paid on our ordinary shares. See "—Israeli Tax Considerations and Government Programs—Taxation of Our Shareholders—Dividends." Subject to certain conditions and limitations, a U.S. Holder eligible under the U.S.-Israel Double Tax Treaty may be eligible to claim a foreign tax credit in respect of any Israeli income taxes paid or withheld with respect to dividends on our ordinary shares to the extent such taxes are nonrefundable under the U.S.-Israel Double Tax Treaty. Alternatively, a U.S. Holder who does not elect to claim a foreign tax credit for foreign tax withheld may instead claim a deduction for U.S. federal income tax purposes in respect of such withholding, but only for a year in which such holder elects to do so for all creditable foreign income taxes paid or accrued in the relevant taxable year. The rules governing the foreign tax credit are complex and each U.S. Holder is urged to consult its tax advisor regarding the availability of the foreign tax credit under its particular circumstances.

Sale or Other Disposition

A U.S. Holder will generally recognize gain or loss upon the sale or other disposition of our ordinary shares in an amount equal to the difference between the amount realized upon the disposition and the U.S. Holder's adjusted tax basis in such ordinary shares. The gain or loss will generally be capital gain or loss and individuals and other non-corporate U.S. Holders who have held the ordinary shares for more than one year will generally be eligible for reduced tax rates. The deductibility of a capital loss may be subject to limitations. Any such gain that the U.S. Holder recognizes may be subject to Israeli income tax and will generally be U.S. source fain, which may limit a U.S. Holder's ability to claim a foreign tax credit for any such Israeli income tax imposed on such gain. U.S. Holders that are eligible for the benefits of the U.S.-Israel Double Tax Treaty may apply the U.S.-Israel Double Tax Treaty to treat such gain as exempt from Israeli tax, provided certain requirements are met. Pursuant to recently issued Treasury regulations, however, if a U.S. Holder is not eligible for the benefits of the U.S.-Israel Double Tax Treaty or does not elect to apply the U.S.-Israel Double Tax Treaty, then such holder may not be able to claim a foreign tax credit arising from any Israeli tax imposed on the sale or other disposition of our ordinary shares. The rules regarding foreign tax credits and the deductibility of foreign taxes are complex. U.S. Holders should consult their tax advisors regarding the availability of a foreign tax credit or deduction in light of their particular circumstances, including their eligibility for benefits under the U.S.-Israel Double Tax Treaty and the potential impact of the recently issued Treasury regulations.

Passive Foreign Investment Company Considerations

A non-U.S. corporation, such as our company, will be classified as a PFIC for U.S. federal income tax purposes for any taxable year, if either (i) 75% or more of its gross income for such year consists of certain types of passive income or (ii) 50% or more of the value of its assets (generally determined on the basis of a quarterly average) during such year is attributable to assets that produce or are held for the production of passive income. For this purpose, cash and assets readily convertible into cash are generally classified as passive assets and goodwill and other unbooked intangibles associated with active business activities may generally be classified as non-passive assets. Passive income generally includes, among other things, dividends, interest, royalties and rents (other than certain royalties and rents derived in the active conduct of a trade or business and not derived from a related person), and gains from the disposition of passive assets. We will be treated as owning a proportionate share of the assets and earning a proportionate share of the income of any other corporation in which we own, directly or indirectly, at least 25% (by value) of the stock.

Whether we are, or will be, classified as a PFIC is a factual determination made annually that will depend, in part, upon the composition of our income and assets.

Based on an analysis of our income and the value of our assets, we believe that we were not a PFIC for the taxable year ended December 31, 2021, although no assurance can be given due to the highly factual nature of such analysis. Our PFIC status for the current taxable year ending December 31, 2022 will not be determinable until after the close of the year, and it is possible that we may be classified as a PFIC for the current taxable year and for future taxable years. We believe that we were technically a PFIC for the 2020 taxable year. No assurance can be given with respect to our PFIC status for the current taxable year or any future taxable year, however. The determination of whether we are or will become a PFIC is uncertain, because it is a fact-intensive inquiry made on an annual basis that depends, in part, on the composition of our income and assets. Fluctuations in the market price of our ordinary shares may influence whether we are classified as a PFIC for the current or subsequent taxable years because the value of our assets for the purpose of the asset test may be determined by reference to the market price of our ordinary shares from time to time. The composition of our income and assets may also be affected by how, and how quickly, we use our liquid assets. Under circumstances where our revenue from activities that produce passive income increases relative to our revenue from activities that produce non-passive income, or where we determine not to deploy cash for active purposes, our risk of being classified as a PFIC will substantially increase.

Furthermore, because there are uncertainties in the application of the relevant rules, it is possible that the IRS may challenge our classification of certain income or assets as non-passive, or our valuation of our goodwill and other unbooked intangibles, each of which may increase the likelihood of us becoming classified as a PFIC for the current or subsequent taxable years.

If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ordinary shares, unless the U.S. Holder makes a mark-to-market election (as described below), the U.S. Holder will generally be subject to special tax rules on (i) any excess distribution that we make to the U.S. Holder (which generally means any distribution paid during a taxable year to a U.S. Holder that is greater than 125% of the average annual distributions paid in the three preceding taxable years or, if shorter, the U.S. Holder's holding period for the ordinary shares), and (ii) any gain realized on the sale or other disposition of our ordinary shares. In addition, dividends paid in respect of our ordinary shares would not be eligible for the lower tax rate described under "—Dividends" above.

Under the PFIC rules:

- the excess distribution or gain will be allocated ratably over the U.S. Holder's holding period for the ordinary shares;
- the amount allocated to the taxable year of the excess distribution, sale or other disposition and to any taxable years in the U.S. Holder's holding period prior to the first taxable year in which we are classified as a PFIC (each, a "pre-PFIC year"), will be taxable as ordinary income;
- the amount allocated to each prior taxable year, other than a pre-PFIC year, will be subject to tax at the highest tax rate in effect for individuals or corporations, as appropriate, for that year; and
- the interest charge generally applicable to underpayments of tax will be imposed on the tax attributable to each prior taxable year, other than a pre-PFIC year.

If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ordinary shares, we generally will continue to be treated as a PFIC with respect to such U.S. Holder for all succeeding years during which the holder holds our ordinary shares. However, if we cease to meet the threshold requirements for PFIC status, provided that the U.S. Holder has not made a mark-to-market election, as described below, such holder may avoid some of the adverse effects of the PFIC regime by making a "deemed sale" election with respect to our ordinary shares held by such U.S. Holder. If such election is made, the U.S. Holder will be deemed to have sold our ordinary shares it holds on the last day of the last taxable year in which we were classified as a PFIC at their fair market value and any gain from such deemed sale will be taxed under the PFIC rules described above. After the deemed sale election, so long as we do not become classified as a PFIC in a subsequent taxable year, the ordinary shares with respect to which such election was made will not be treated as shares in a PFIC and the U.S. Holder will not be subject to the PFIC rules described above with respect to any "excess distribution" received from us or any gain from an actual sale or other disposition of the ordinary shares. The rules dealing with deemed sale elections are very complex. U.S. Holders of our ordinary shares are strongly urged to consult their tax advisors as to the possibility and consequences of making a deemed sale election if we cease to be classified as a PFIC and such election becomes available to such holders.

If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ordinary shares and any subsidiary we own is also classified as a PFIC, such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. As a result, such U.S. Holder may incur liability for the deferred tax and interest charge described above if either (1) we receive any excess distribution from, or dispose of all or part of our interest in, the lower-tier PFIC or (2) the U.S. Holder disposes of all or part of our ordinary shares. It is possible that any subsidiary we own would be a PFIC for the current taxable year or future taxable years. U.S. Holders are urged to consult their tax advisors regarding the application of the PFIC rules to any subsidiary we own.

As an alternative to the foregoing rules, a U.S. Holder of "marketable stock" (as defined below) in a PFIC may make a mark-to-market election with respect to such stock. If a U.S. Holder makes this election with respect to our ordinary shares, the holder will generally (i) include as ordinary income for each taxable year that we are classified as a PFIC the excess, if any, of the fair market value of the ordinary shares held at the end of the taxable year over the adjusted tax basis of such ordinary shares and (ii) deduct as an ordinary loss in each such taxable year the excess, if any, of the adjusted tax basis of the ordinary shares over the fair market value of such ordinary shares held at the end of the taxable year, but such deduction will only be allowed to the extent of the amount previously included in income as a result of the mark-to-market election. The U.S. Holder's adjusted tax basis in the ordinary shares would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a U.S. Holder makes a mark-to-market election in respect of our ordinary shares and we cease to be classified as a PFIC, the holder will not be required to take into account the gain or loss described above during any period that we are not classified as a PFIC. If a U.S. Holder makes a mark-to-market election, any gain such U.S. Holder recognizes upon the sale or other disposition of our ordinary shares in a year when we are classified as a PFIC will be treated as ordinary income and any loss will be treated as ordinary loss, but such loss will only be treated as ordinary loss to the extent of the net amount previously included in income as a result of the mark-to-market election.

The mark-to-market election is available only for "marketable stock," which is stock that is regularly traded on a qualified exchange or other market, as defined in applicable U.S. Treasury regulations. Our ordinary shares are listed on the Nasdaq Global Market and should be treated as regularly traded for purposes of the mark-to-market rules. While we anticipate that our ordinary shares will continue to qualify as being regularly traded, no assurances may be given in this regard. If any subsidiary we own is, or becomes, classified as a PFIC, the mark-to-market election will likely not be available with respect to the shares of such subsidiary that are treated as owned by a U.S. Holder. Consequently, a U.S. Holder could be subject to the PFIC rules with respect to income of a lower-tier PFIC the value of which had already been taken into account indirectly via mark-to-market adjustments. U.S. Holders are urged to consult their tax advisors as to the availability and desirability of a mark-to-market election, as well as the impact of such election on interests in any lower-tier PFIC.

Alternatively, a U.S. shareholder of a PFIC may avoid the PFIC tax consequences described above in respect of its shares of PFIC stock by making a timely "qualified electing fund," or QEF, election. To comply with the requirements of a QEF election, such shareholder must receive certain information from the PFIC. Because we do not intend to provide information necessary for U.S. Holders to make QEF elections, such election will not be available to U.S. Holders of our ordinary shares.

If a U.S. Holder owns our ordinary shares during any taxable year that we are classified as a PFIC, the holder must generally file an annual IRS Form 8621 regarding distributions received on, and any gain realized on the disposition of, our ordinary shares. U.S. Holders are urged to consult their tax advisor regarding our PFIC status and the U.S. federal income tax consequences of owning and disposing of our ordinary shares if we are, or become, classified as a PFIC, including the possibility of making a mark-to-market or deemed sale election.

The summary of U.S. federal income tax consequences set out above is for general informational purposes only. Investors are urged to consult their tax advisors about the application of the U.S. federal income tax rules to their particular circumstances as well as the state, local, non-U.S. and other tax consequences to them of the ownership and disposition of our ordinary shares.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We have previously filed with the SEC a registration statement on Form F-1 (File No. 333-240209), as amended, and a registration statement on Form F-1 (File No. 333-252860), as amended, each with respect to our ordinary shares. As allowed by the SEC, in Item 19 of this annual report on Form 20-F, we incorporate by reference certain information we previously filed with the SEC. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this annual report on Form 20-F.

We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. The SEC maintains a website at www.sec.gov that contains reports and other information regarding registrants that file electronically with the SEC. Our annual report on Form 20-F and other information submitted by us to the SEC may be accessed through this website.

As a foreign private issuer, we are exempt from the rules under the Exchange Act related to the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file annual, quarterly and current reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. However, we are required to file with the SEC, within four months after the end of each fiscal year, or such applicable time as required by the SEC, an annual report on Form 20-F containing financial statements audited by an independent registered public accounting firm, and submit to the SEC, on Form 6-K, unaudited quarterly financial information for the first three quarters of each fiscal year.

We maintain a corporate website at http://www.nanox.vision. In accordance with NASDAQ Stock Market Rule 5250(d), we will post this annual report on Form 20-F on our website. Information contained on our website is not incorporated by reference into this annual report on Form 20-F. In addition, we will provide hardcopies of our annual report on Form 20-F free of charge to shareholders upon request.

I. Subsidiary Information

Not applicable.

Item 11. Qualitative and Quantitative Disclosures About Market Risk

Interest Rate Risk

As of December 31, 2021, we had cash equivalents consisting primarily of U.S. dollar bank deposits. Our primary exposure to market risk is interest income sensitivity, which is affected by changes in the general level of U.S. interest rates. Consequently, changes in market interest rates would not have a material impact on our financial position or results of operations.

As of December 31, 2021, we had no debt outstanding and are therefore not exposed to interest rate risk with respect to the cost of servicing and repaying debt.

Inflation-related Risks

We do not believe that the rate of inflation in Israel has had a material impact on our business to date, however, our costs in Israel will increase if the inflation rate in Israel exceeds the devaluation of the NIS against the U.S. dollar or if the timing of such devaluation lags behind inflation in Israel. Similarly, our costs in Korea will increase if the inflation rate in Korea exceeds the devaluation of the KRW against the U.S. dollar or if the timing of such devaluation lags behind inflation in Korea.

Foreign Currency Exchange Risk

The U.S. dollar is our functional and reporting currency. However, a portion of our operating expenses, including personnel and facilities related expenses, are incurred in NIS and KRW. As a result, our statements of operations and cash flows could be adversely affected in the future due to changes in foreign exchange rates. If the NIS and KRW appreciate relative to the U.S. dollar, the dollar cost of our operations in Israel or Korea would increase, respectively, and our dollar-denominated results of operations would be adversely affected. However, as we have cash and cash equivalents denominated in U.S. dollars, we believe that changes in foreign currency exchange rates would not have a material impact on our financial position or results of operations.

Item 12. Description of Securities Other than Equity Securities

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Not applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

Initial Public Offering

On August 25, 2020, we completed an initial public offering in the United States on Nasdaq of our ordinary shares, par value NIS 0.01 per share, pursuant to a Registration Statement on Form F-1, as amended (File No. 333-240209), which became effective on August 20, 2020. Cantor Fitzgerald & Co., Oppenheimer & Co. Inc., Berenberg and CIBC Capital Markets acted as joint book-runners. National Securities Corporation acted as co-manager for the offering.

We issued and sold 10,555,556 ordinary shares at a public offering price of $18 per share, including 1,376,812 additional ordinary shares purchased by the underwriters at the public offering price, less the underwriting discount, pursuant to the exercise in full of their option to purchase additional ordinary shares. Following the sale of our ordinary shares in connection with the initial public offering, the offering terminated.

The gross proceeds of the shares sold (including the over-allotment option) was approximately $190.0 million. The total expenses of the offering, including underwriting discounts and commissions, were approximately $20.8 million. The net proceeds we received from the offering (including the over-allotment option) were approximately $169.2 million. No payments for such expenses were made directly or indirectly to (i) any of our directors, officers or their associates, (ii) any persons owning 10% or more of any class of our equity securities or (iii) any of our affiliates.

There has been no material change in the expected use of the net proceeds from our initial public offering as described in our final prospectus filed with the SEC on August 24, 2020 pursuant to Rule 424(b).

Item 15. Controls and Procedures

(a) Disclosure Controls and Procedures

Management of the Company, with the participation of its Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2021.

The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act of 1934, as amended, is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, and that such information is accumulated and communicated to management of the Company, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Based on their evaluation, as of the end of the period covered by this Annual Report on Form 20-F, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were not effective due to material weaknesses in the Company's internal control over financial reporting described below.

(b) Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as described in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Internal control over financial reporting is defined as a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, and effected by the Company's board of directors, management and other personnel, 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 and 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 the issuer, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and directors of the issuer and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the issuer's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in our conditions, or that the degree of compliance with our policies or procedures may deteriorate.

Our management, under the supervision and participation of our Chief Executive Officer and our Chief Financial Officer, has conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2021 using criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Based on this assessment, management has concluded that we did not maintain effective internal control over financial reporting as of December 31, 2021, due to a lack of sufficient number of financial reporting personnel with an appropriate level of knowledge, experience and training commensurate with our financial reporting requirements. This control deficiency contributed to the following additional control deficiencies:

- We did not maintain effective internal controls to ensure processing and reporting of valid transactions is complete, accurate and timely. Specifically, we have not implemented a sufficient level of formal policies, procedures and documentation that define how transactions across the business cycles are initiated, recorded, processed, reported, documented, appropriately authorized and approved.

- We did not maintain effective internal control that assure appropriate segregation of duties is maintained. Certain financial personnel had incompatible duties that allowed for the creation, review and processing of certain financial data without independent review and authorization. This material weakness affects substantially all financial statement accounts.

Each of these control deficiencies did not result in material misstatements of the consolidated financial statements; however, each of the control deficiencies described above could result in a misstatement that would result in a material misstatement of the annual or interim consolidated financial statements that would not be prevented or detected. Accordingly, our management has determined that these control deficiencies constitute material weaknesses.

Remediation Efforts

Our management, with the oversight of the Audit Committee of the Board of Directors, has continued the process of remediating the material weakness. In connection with the remediation process, we have continued to make further progress in implementing a broad range of changes to our internal control over financial reporting to remediate the material weaknesses described in this item. We are committed to maintaining a strong internal control environment, including enhancing and supplementing the finance team and resources with an appropriate level of knowledge and experience in internal control over financial reporting requirements. Our actions to address the material weaknesses include:

- Enhancing and supplementing the finance team with resources with knowledge and experience in internal control over financing reporting commensurate with our financial reporting requirements, including with responsibility for design and implementation of internal controls, increasing the number of roles, providing Company-sponsored training programs related to internal control over financial reporting.

- Designing and implementing additional formal policies, procedures and documentation to ensure transactions are properly initiated, recorded, processed, reported, appropriately authorized and approved, including enhancing our internal review procedures.

- Making improvements to maintain the appropriate level of segregation of duties including defining new finance personnel roles as well as designing and implementing additional independent review and authorization and compensating controls.

- Continue implementing a new Enterprise Resource Planning system to support efficient automated controls and manual controls that are dependent on system reports.

We believe we have made substantial progress in accordance with our remediation plan. The material weaknesses will not be considered remediated until we have completed implementing the necessary controls and applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

We cannot determine when our remediation plan will be fully completed, and we cannot provide any assurance that these remediation efforts will be successful or that our internal control over financial reporting will be effective as a result of these efforts.

(c) Attestation Report of the Registered Public Accounting Firm

Our internal control over financial reporting as of December 31, 2021 has been audited by Kesselman & Kesselman, an independent registered public accounting firm in Israel and a member of PricewaterhouseCoopers International Limited, as stated in their report which is included under “Item 18—Financial Statements.”

(d) Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the period covered by this annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 16. [Reserved]

(a) Audit Committee Financial Expert

Noga Kainan, an independent director and a member of our audit committee, is an audit committee financial expert.

(b) Code of Ethics

We have adopted a code of ethics and conduct, which is applicable to all of our directors, officers and employees. We have made our code of ethics publicly available on our website.

(c) Principal Accountant Fees and Services

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Kesselman & Kesselman, Certified Public Accountants (Isr.), a member firm of PricewaterhouseCoopers International Limited, our independent registered public accounting firm, for the periods indicated.

	Year Ended December 31,	
	2020	**2021**
Audit Fees[(1)]	$ 376,000	$ 608,000
Audit-Related Fees[(2)]	—	—
Tax Fees[(3)]	10,000	19,000
All Other Fees[(4)]	—	—
Total	$ 386,000	$ 627,000

(1) "Audit Fees" represents the aggregate fees billed or accrued for the interim reviews and audit of our annual financial statements. This category also includes services that generally the independent accountant provides, such as consents and assistance with and review of documents filed with the SEC as well as fees related to audits in connection with our initial public offering in August 2020 and our secondary public offering in February 2021.

(2) "Audit-Related Fees" represents the aggregate fees billed or accrued for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and not reported under "Audit Fees."

(3) "Tax Fees" represents the aggregate fees billed or accrued for professional tax services rendered by our independent registered public accounting firm for tax compliance and tax advice on actual or contemplated transactions.

(4) "All Other Fees" represents the aggregate fees billed or accrued for services rendered by our independent registered public accounting firm other than services reported under "Audit Fees," "Audit-related Fees" and "Tax Fees."

Audit Committee Pre-Approval Policies and Procedures

Our Audit Committee has adopted a policy pursuant to which we will not engage our auditors to perform any non-audit services unless the audit committee pre-approves the service.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Not applicable.

Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

As a foreign private issuer, we are permitted to follow certain Israeli corporate governance practices instead of the Nasdaq corporate governance rules, provided that we disclose which requirements we are not following and the equivalent Israeli requirement. Pursuant to the "foreign private issuer exemption":

- we comply with Israeli law with respect to quorum requirements. In accordance with the Companies Law, our amended and restated articles of association provide that a quorum of two or more shareholders holding at least 25% of the voting rights in person or by proxy is required for commencement of business at a general shareholder meeting. The quorum set forth in our amended and restated articles of association with respect to an adjourned meeting shall, subject to a limited exception, consist of one or more shareholders present in person or by proxy (including by voting deed), regardless of the number or percentage of our outstanding shares held by them;

- we follow Israeli corporate governance practices instead of the Nasdaq requirements with regard to the nomination committee and director nomination procedures. The nominations for directors, which are presented to our shareholders by our board of directors, are generally made by the board of directors itself, in accordance with the provisions of our amended and restated articles of association and the Companies Law. With the exception of directors elected by our board of directors due to a vacancy, in accordance with the staggered nomination as described under "Item 6. Directors, Senior Management and Employees—C. Board Practices—Board of Directors," we intend to elect our directors to hold office until the annual general meeting of our shareholders that occurs in the third year following his or her election and until his or her successor shall be elected and qualified;

- we intend to adopt and approve material changes to equity incentive plans in accordance with the Companies Law, which does not impose a requirement of shareholder approval for such actions. In addition, we intend to follow Israeli corporate governance practice, which requires shareholder approval prior to an issuance of securities in connection with equity-based compensation of officers, directors, employees or consultants only under certain circumstances, in lieu of Nasdaq Marketplace Rule 5635(c);

- as opposed to making periodic reports to shareholders and proxy solicitation materials available to shareholders in the manner specified by the Nasdaq corporate governance rules, the Companies Law does not require us to distribute periodic reports directly to shareholders, and the generally accepted business practice in Israel is not to distribute such reports to shareholders but to make such reports available through a public website. We will only mail such reports to shareholders upon request. As a foreign private issuer, we are generally exempt from the SEC's proxy solicitation rules; and

- we follow Israeli corporate governance practices instead of Nasdaq requirements to obtain shareholder approval for all corporate actions requiring such approval under the requirements of the Companies Law such as (i) transactions with directors concerning the terms of their service or indemnification, exemption and insurance for their service (or for any other position that they may hold at our company), (ii) extraordinary transactions with controlling shareholders, (iii) terms of employment or other engagement of the controlling shareholder of the company or such controlling shareholder's relative, (iv) private placements that will result in a change of control, (v) certain transactions, other than a public offering, involving issuances of a 20% or greater interest in us and (vi) certain acquisitions of the stock or assets of another company.

Otherwise, we intend to comply with the rules generally applicable to U.S. domestic companies listed on the Nasdaq. We may in the future decide to use the foreign private issuer exemption with respect to some or all of the other Nasdaq corporate governance rules. We also intend to comply with Israeli corporate governance requirements under the Companies Law applicable to us.

Item 16H. Mine Safety Disclosure

Not applicable.

Item 16I. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

PART III

Item 17. Financial Statements

We have elected to provide financial statements pursuant to Item 18.

Item 18. Financial Statements

The consolidated financial statements of Nano-X Imaging Ltd. are included at the end of this annual report on Form 20-F.

Item 19. Exhibits

Exhibit No.	Description
1.1*	Form of Amended and Restated Articles of Association of the Registrant (incorporated by reference to Exhibit 3.2 to the Registrant's Registration Statement on Form F-1/A (File No. 333-240209) filed on August 14, 2020 with the SEC)
2.1†	Description of Securities Registered under Section 12 of the Exchange Act
4.1†	Asset Purchase Agreement, dated November 3, 2021, among MDWEB, LLC, Nano-X Imaging, and Nano-X Imaging Ltd.
4.2†	Agreement and Plan of Merger, dated August 9, 2021, among Nano-X Imaging Ltd, Zebra Medical Vision Ltd. and PerryLLion Ltd.
4.3†	First Amendment to the Agreement and Plan of Merger, dated August 9, 2021, among Nano-X Imaging Ltd, Zebra Medical Vision Ltd. and PerryLLion Ltd.
4.4†	Stock Purchase Agreement dated November 2, 2021 by and among Dr. Michael Yuz, Dr. Michael Yuz as the representative of Sellers, USARAD Holdings, Inc. and Nano-X Imaging Ltd
4.5*	Form of warrants to purchase ordinary shares issued to A-Labs Finance and Advisory Ltd. (incorporated by reference to Exhibit 4.5 to the Registrant's Registration Statement on Form F-1 (File No. 333-240209) filed on July 30, 2020 with the SEC)
4.6*	Warrant to purchase ordinary shares, dated September 2, 2019, issued to SK Telecom TMT Investment Corp. (incorporated by reference to Exhibit 4.6 to the Registrant's Registration Statement on Form F-1 (File No. 333-240209) filed on July 30, 2020 with the SEC)
4.7*	Amendment to Warrant to purchase ordinary shares, dated June 4, 2020, issued to SK Telecom TMT Investment Corp. (incorporated by reference to Exhibit 4.7 to the Registrant's Registration Statement on Form F-1 (File No. 333-240209) filed on July 30, 2020 with the SEC)
4.8*	Contract Manufacturing Agreement, dated May 26, 2020, by and between the Registrant and FoxSemicon Integrated Technology, Inc. (incorporated by reference to Exhibit 10.1 to the Registrant's Registration Statement on Form F-1 (File No. 333-240209) filed on July 30, 2020 with the SEC)
4.9*	Registration Rights Agreement by and among the Registrant and the certain shareholders named therein (incorporated by reference to Exhibit 10.2 to the Registrant's Registration Statement on Form F-1/A (File No. 333-240209) filed on August 14, 2020 with the SEC)
4.10*	2019 Equity Incentive Plan (incorporated by reference to Exhibit 10.3 to the Registrant's Registration Statement on Form F-1 (File No. 333-240209) filed on July 30, 2020 with the SEC)
4.11*	U.S. Sub-Plan (incorporated by reference to Exhibit 10.4 to the Registrant's Registration Statement on Form F-1 (File No. 333-240209) filed on July 30, 2020 with the SEC)
4.12*	Form of Indemnification Agreement between the Registrant and each director and executive officer (incorporated by reference to Exhibit 10.5 to the Registrant's Registration Statement on Form F-1/A (File No. 333-240209) filed on August 14, 2020 with the SEC)
4.13*	Compensation Policy for Executive Officers and Directors (incorporated by reference to Exhibit A to the Proxy Statement filed as Exhibit 99.1 to the Registrant's Form 6-K (File No. 001-39461) filed on December 31, 2020 with the SEC)
4.14*	Equity Compensation Plan for Executive Officers and Directors (incorporated by reference to Exhibit B to the Proxy Statement filed as Exhibit 99.1 to the Registrant's Form 6-K (File No. 333-001-39461) filed on December 31, 2020 with the SEC)

8.1†	List of subsidiaries of the Registrant
12.1†	Certification by Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2†	Certification by Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1±	Certification by Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2±	Certification by Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1†	Consent of Kesselman & Kesselman, Certified Public Accountants (Isr.) a member firm of PricewaterhouseCoopers International Limited, independent registered public accounting firm.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Previously filed.
† Filed herewith.
± Furnished herewith.

In reviewing the agreements included as exhibits to this annual report on Form 20-F, please remember they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about us or the other parties to the agreements.

The agreements may contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;
- have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;
- may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and
- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time.

SIGNATURES

NANO-X IMAGING LTD hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on Form 20-F on its behalf.

NANO-X IMAGING LTD

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

Date: May 2, 2022

NANO-X IMAGING LTD.

CONSOLIDATED FINANCIAL STATEMENTS

INDEX

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Nano-X Imaging Ltd.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Nano-X Imaging Ltd. and its subsidiaries (the "Company") as of December 31, 2021 and 2020, and the related consolidated statements of operations, of changes in shareholders' equity and of cash flows for each of the three years in the period ended December 31, 2021, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020**,** and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO because material weaknesses in internal control over financial reporting existed as of that date. The Company (i) lacked a sufficient number of financial reporting personnel with an appropriate level of knowledge, experience and training commensurate with the Company's financial reporting requirements, which contributed to additional material weaknesses as the Company (ii) did not design and maintain effective internal controls to ensure processing and reporting of transactions are complete, accurate, and timely and did not implement a sufficient level of formal policies, procedures and documentation that define how transactions across all the business cycles are initiated, recorded, processed, reported, documented, appropriately authorized and approved, (iii) did not design and maintain effective internal controls to ensure appropriate segregation of duties is maintained, and (iv) did not design and maintain effective internal controls over certain information technology ("IT") general controls for applications used in the preparation of the Company's consolidated financial statements. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weaknesses referred to above are described in Management's Report on Internal Control over Financial Reporting appearing in Item 15A. We considered these material weaknesses in determining the nature, timing, and extent of audit tests applied in our audit of the 2021 consolidated financial statements, and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in appearing under Item 15A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. 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 of compliance with the policies or procedures may deteriorate.

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.

Purchase Price Allocation - Nanox AI Ltd. (formally Zebra Medical Vision Ltd.)
As described in Note 3a, the Company completed the acquisition of 100% of Nanox AI Ltd. (formally Zebra Medical Vision Ltd.) on November 4, 2021 for total consideration of $129.3 million. The consideration was given by issuing the Company's ordinary shares in an amount of $88.5 million as well additional contingent payments estimated at a fair value of $40.8 million that is payable in additional shares upon achievement of certain milestones. Management applied significant judgment in estimating the fair value of the intangible assets acquired, which included cash flow projections and the discount rate used in respect of the intangible assets recorded. In addition significant assumptions were made with respect to the contingent consideration recorded that included the achievement and timing of the milestones.

The principal considerations for our determination that performing procedures relating to the acquisition of Nanox AI Ltd. is a critical audit matter are (i) there was a high degree of auditor judgment and subjectivity in applying procedures relating to the fair value measurement of intangible assets acquired, the contingent consideration recorded due to the significant amount of judgment by management when developing the estimates; (ii) significant audit effort was required in evaluating the significant assumptions relating to the estimates, such as the achievement of certain milestones and the related timing of the contingent payments, as well as the cash flow projections and the discount rate used with respect of the intangible assets recorded; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, among others, (i) reading the share purchase agreements; (ii) testing management's process for estimating the fair value of intangible assets; and (iii) testing management's cash flow projections used to estimate the fair value of the intangible assets, using professionals with specialized skill and knowledge to assist in doing so. Testing management's process included evaluating the appropriateness of the valuation methods and the reasonableness of significant assumptions, including the cash flow projections and the discount rate for the intangible assets and contingent consideration. Evaluating the reasonableness of the projections involved considering the past performance of the acquired businesses, as well as economic and industry forecasts. The discount rate was evaluated by considering the cost of capital of comparable businesses.

/s/Kesselman & Kesselman

Certified Public Accountants (Isr.)
A member firm of PricewaterhouseCoopers International Limited
Tel-Aviv, Israel
May 2, 2022

We have served as the Company's auditor since 2019.

NANO-X IMAGING LTD.

CONSOLIDATED BALANCE SHEETS

	December 31, 2021	December 31, 2020
	U.S. Dollars in thousands	
Assets		
CURRENT ASSETS:		
Cash and cash equivalents	66,645	213,468
Marketable Securities - short term	22,066	-
Accounts receivables net of allowance for credit losses of $137 and o thousand as of December 31, 2021 and December 31,2020, respectively.	1,051	-
Prepaid expenses	3,129	4,788
Other current assets	1,966	1,537
TOTAL CURRENT ASSETS	94,857	219,793
NON-CURRENT ASSETS:		
Restricted cash	127	316
Property and equipment, net	37,435	14,020
Operating lease right-of-use asset	1,725	1,359
Marketable Securities - long term	67,845	-
Intangible assets	101,826	-
Goodwill	58,298	-
Other non-current assets	1,057	661
TOTAL NON-CURRENT ASSETS	268,313	16,356
TOTAL ASSETS	363,170	236,149
Liabilities and Shareholders' Equity		
CURRENT LIABILITIES:		
Accounts payable	3,134	435
Accrued expenses	3,611	1,931
Loan from a Government Agency	145	-
Deferred revenue	247	-
Contingent short term earnout liability	42,471	-
Current maturities of operating lease liabilities	881	519
Other current liabilities	2,262	1,595
TOTAL CURRENT LIABILITIES	52,751	4,480
NON-CURRENT LIABILITIES:		
Non-current operating lease liabilities	950	923
Long term loan	3,796	-
Non-current deferred revenue	415	-
Contingent long-term earnout liability	5,814	-
Deferred tax liability	7,063	-
Other long-term liabilities	233	-
TOTAL NON-CURRENT LIABILITIES	18,271	923
TOTAL LIABILITIES	71,022	5,403
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Ordinary Shares, par value NIS 0.01 per share 100,000,000 authorized at December 31, 2021 and December 31 2020, 51,791,441 and 46,100,173 issued and outstanding at September 30, 2021 and December 31, 2020, respectively	149	131
Additional paid-in capital	438,820	315,031
Accumulated other comprehensive deficit	(607)	-
Accumulated deficit	(146,214)	(84,416)
TOTAL SHAREHOLDERS' EQUITY	292,148	230,746
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	363,170	236,149

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

NANO-X IMAGING LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31,		
	2021	**2020**	**2019**
	U.S. Dollars in thousands		
REVENUE	1,304	-	-
COST OF REVENUE	2,816	-	-
GROSS LOSS	(1,512)	-	-
OPERATING EXPENSES:			
Research and development	17,122	9,210	2,717
Sales and Marketing	7,033	12,445	1,556
General and administrative	34,709	22,268	18,298
Other expenses	1,182	-	-
TOTAL OPERATING EXPENSES	60,046	43,923	22,571
OPERATING LOSS	(61,558)	(43,923)	(22,571)
FINANCIAL INCOME (EXPENSES), net	(288)	108	8
OPERATING LOSS BEFORE INCOME TAXES	(61,846)	(43,815)	(22,563)
INCOME TAX BENEFIT	48	-	-
NET LOSS	(61,798)	(43,815)	(22,563)
BASIC AND DILUTED LOSS PER SHARE	(1.28)	(1.23)	(0.90)
THE WEIGHTED AVERAGE OF THE NUMBER OF ORDINARY SHARES (in thousands)	48,216	35,654	25,181
NET LOSS	(61,798)	(43,815)	(22,563)
Other comprehensive loss:			
Unrealized loss from available-for-sale securities	(607)	-	-
Total other comprehensive loss:	(607)	-	-
TOTAL COMPERHENSIVE LOSS	(62,405)	(43,815)	(22,563)

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

NANO-X IMAGING LTD.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CAPITAL DEFICIENCY)

	Ordinary shares		Additional paid-in capital	Accumulated other comprehensive deficit	Accumulated deficit	Total
	Number of shares	Amount				
		U.S. Dollars in thousands				
BALANCE AT JANUARY 1, 2019	21,924,208	58	11,596	-	(18,038)	(6,384)
CHANGES DURING 2019:						
Issuance of ordinary shares and warrants, net of issuance costs	4,762,656	16	14,022	-	-	14,038
Issuance of ordinary shares to employees and non-employees upon exercise of warrants	454,166	1	136	-	-	137
Issuance of ordinary shares to investors upon exercise of warrants	9,050	*	25	-	-	25
Share-based compensation			16,245	-		16,245
Additional consideration with respect to an assets purchase agreement, see note 9a		-	(10,276)	-	-	(10,276)
Net loss for the year					(22,563)	(22,563)
BALANCE AT DECEMBER 31, 2019	27,150,080	75	31,748	-	(40,601)	(8,778)
CHANGES DURING 2020:						
Issuance of ordinary shares and warrants, net of issuance costs	4,624,500	14	70,999	-	-	71,013
Initial public offering of ordinary shares, net of offering costs	10,555,556	31	169,136	-	-	169,167
Issuance of ordinary shares to employees and non-employees upon exercise of warrants	997,863	3	497	-	-	500
Issuance of ordinary shares to investors upon exercise of warrants	1,662,929	5	125	-	-	130
Share-based compensation			24,781			24,781
Conversion of related party liability to shareholders' equity, see note 9a	1,109,245	3	17,745	-	-	17,748
Net loss for the year					(43,815)	(43,815)
BALANCE AT DECEMBER 31, 2020	46,100,173	131	315,031	-	(84,416)	230,746
CHANGES DURING 2021:						
Issuance of ordinary shares upon exercise of warrants	780,920	2	265	-	-	267
Issuance of ordinary shares to employees and non-employees upon exercise of options	1,099,946	3	3,330	-	-	3,333
Issuance of ordinary shares due to business combination and assets acquisition (refer to Note 3)	3,810,402	13	101,497	-	-	101,510
Share-based compensation	-	-	18,697	-	-	18,697
Unrealized loss from available-for-sale securities	-	-	-	(607)	--	(607)
Net loss for the year	-	-			(61,798)	(61,798)
BALANCE AT DECEMBER 31, 2021	51,791,441	149	438,820	(607)	(146,214)	292,148

(*) Less than 1 thousand US dollars.

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

NANO-X IMAGING LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2021	2020	2019
	U.S. Dollars in thousands		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss for the year	(61,798)	(43,815)	(22,563)
Adjustments required to reconcile net loss to net cash used in operating activities:			
Share-based compensation	18,806	24,781	16,245
Amortization of intangible assets	1,768		
Depreciation	524	208	53
Impairment of property and equipment	214	-	-
Deferred income taxes	(116)	-	-
Amortization of premium on marketable securities	(216)	-	-
Changes in operating assets and liabilities, net of effects of businesses acquired:			
Accounts receivable	(40)	-	-
Prepaid expenses and other current assets	1,724	(4,478)	(1,564)
Related party prepaid expenses	-	-	1,081
Other non-current assets	(374)	(522)	(139)
Accounts payable	1,721	(103)	393
Operating lease assets and liabilities	23	83	-
Accrued expenses and other liabilities	(719)	2,359	970
Deferred revenue	179	-	-
Other long-term liabilities	233	-	-
Net cash used in operating activities	(38,071)	(21,487)	(5,524)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash paid for business combinations, net of cash and restricted cash acquired	(2,859)	-	-
Investment in marketable securities	(90,303)	-	-
Purchase of property and equipment	(23,158)	(13,937)	(125)
Net cash used in investing activities	(116,320)	(13,937)	(125)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from long term loan	3,796	-	-
Proceeds from issuance of ordinary shares and warrants, net of issuance costs	-	71,013	14,038
Proceeds from initial public offering of ordinary shares, net of issuance costs	-	169,348	-
Proceeds from issuance of ordinary shares upon exercise of warrants	267	630	162
Issuance of ordinary shares to employees and non-employees upon exercise of options	3,316		
Deferred offering costs	-	-	(339)
Net cash provided by financing activities	7,379	240,991	13,861
NET CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(147,012)	205,567	8,212
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF THE YEAR	213,784	8,217	5
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF THE YEAR	66,772	213,784	8,217
SUPPLEMENTARY INFORMATION ON ACTIVITIES NOT INVOLVING CASH FLOWS:			
Unpaid offering costs	-	-	858
issuance of ordinary shares to investor upon exercise of warrants		200	-
Fair value of ordinary shares issued as consideration for purchase of assets	1,500	-	-
Fair value of ordinary shares issued as consideration for business combinations	100,010	-	-
Fair value of contingent consideration assumed in business combinations	47,194	-	-
Fair value of contingent consideration assumed in purchase of assets	1,091	-	-
Right-of-use assets obtained in exchange for new operating lease liabilities	194	1,085	548
Additional consideration with respect to an assets purchase agreement	-	-	10,276
Conversion of related party liability to shareholders' equity	-	17,748	-

(*) Less than 1 thousand US dollars.

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

NOTE 1 - GENERAL:

a. Nano-X Imaging Ltd, an Israeli Company (hereinafter "the Company" or "Nanox IL"), was incorporated on December 20, 2018 and commenced its operations on September 3, 2019.

On September 19, 2019, Nanox IL established Nanox Imaging Inc. (hereinafter "Nanox Japan"), a wholly owned subsidiary in Japan.

On September 25, 2020, Nanox IL established Nano-X Korea Inc. (hereinafter "Nanox Korea"), a wholly owned subsidiary in Korea.

On September 30, 2021, Nanox IL established Nanox Imaging Inc. (hereinafter "Nanox U.S."), a wholly owned subsidiary in the United States. On the same date, Nanox U.S. established Nanox MDW Inc. (hereinafter "Nanox MDW").

On November 2, 2021, Nanox U.S. completed the acquisition of 100% of the shares of USARAD Holdings, Inc. (refer to Note 3).

On November 4, 2021, the Company, completed the merger with Zebra Medical Vision Ltd (refer to Note 3).

The Company together with its subsidiaries, develops a commercial-grade tomographic imaging device with a digital X-ray source, provides teleradiology services and develops artificial intelligence applications designed to be used in real-world medical imaging applications. The Company's solution, referred to as the Nanox Multi Source System, has two integrated components – "Nanox.ARC" and "Nanox. CLOUD". Nanox.ARC is a medical tomographic imaging system incorporating the Company's novel digital X-ray source. Nanox. CLOUD is a platform which employs a matching engine to match medical images to radiologists, provides image repository, connectivity to diagnostic assistive AI systems, billing and reporting. On April 1, 2021, the Company received clearance from the FDA to market the Company's Nanox Cart X-Ray System. In addition, the Company is in the process to receive clearance from the FDA to market the Company's Nanox Multi Source System.

The Company has experienced net losses and negative cash flows from operations since its inception. The Company anticipates such losses will continue until its product candidates reach commercial profitability. In August 2020, the Company completed an IPO on Nasdaq with net proceeds received from the IPO of approximately $169 million. Based on the Company's financing activities during the year ended December 31, 2021, the Company has sufficient funds for its plans for the next twelve months from the issuance of these financial statements.

b. Current Impact of COVID-19

Following the December 2019 outbreak of Coronavirus (COVID-19) in China, it has spread into most countries across the world, including Israel, Japan and all 50 states within the U.S. The COVID-19 pandemic is evolving, and to date has led to the implementation of various responses, including government-imposed quarantines, travel restrictions and other public health safety measures. The COVID-19 pandemic has adversely impacted the Company's operations in various ways. For example, the Company's engineers are unable to make work-related trips to Korea or Israel to test and optimize the Nanox.ARC. The potential business partners are unable to make on-site visits to the Company's facilities or attend industry conferences and meetings to experience the Nanox.ARC, which has negatively impacted the Company's business development and deployment activities. The external labs the Company works with have also been affected by COVID-19, resulting in delays in the Company's timelines for obtaining regulatory approval. COVID-19 has also caused shutdowns or disruptions of business for our manufactures and suppliers. The continued spread of COVID-19 globally could adversely impact the Company's development, manufacture, or deployment of the Nanox Systems, which could adversely affect the Company's ability to obtain regulatory approval for and to commercialize the Nanox Systems, increase the operating expenses and have a material adverse effect on the Company's financial results.

NOTE 1 - GENERAL (continued):

c. Current Impact of geopolitical tensions and the start of the military conflict between Russia and Ukraine

U.S. and global markets are experiencing volatility and disruption following the escalation of geopolitical tensions and the start of the military conflict between Russia and Ukraine. On February 24, 2022, a full-scale military invasion of Ukraine by Russian troops was reported. Although the length and impact of the ongoing military conflict is highly unpredictable, the ongoing conflict in Ukraine could lead to market disruptions, including significant volatility in commodity prices, credit and capital markets. As a result, sanctions and penalties have been levied by the United States, European Union and other countries against Russia. Russian military actions and the resulting sanctions could have a negative impact on supply chains, the Company's MSaaS agreements relating to Russia and Belarus or the region and adversely affect the global economy and financial markets. Any of the abovementioned factors could affect the Company's business, prospects, financial condition, and operating results. The extent and duration of the military action, sanctions and resulting market disruptions are impossible to predict, but could be substantial.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States (hereinafter -"U.S GAAP"). The preparation of our consolidated financial statements and related disclosures requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, costs and expenses and the disclosure of contingent assets and liabilities in our financial statements. We base our estimates on historical experience, known trends and events and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions or conditions.

In particular, a number of estimates have been and will continue to be affected by the ongoing COVID-19 pandemic. The severity, magnitude and duration, as well as the economic consequences, of the COVID-19 pandemic, are uncertain, rapidly changing and difficult to predict. As a result, the accounting estimates and assumptions may change over time in response to COVID-19. Such changes could have an additional impact on the Company's long-lived asset and intangible asset valuation; inventory valuation; and the allowance for expected credit losses.

a. Use of estimates in the preparation of financial statements

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates and such differences may have a material impact on the Company's consolidated financial statements. As applicable to these consolidated financial statements, the most significant estimates relate to assets acquired and liabilities assumed through business combination, goodwill impairment, useful lives of intangible assets, deferred taxes and share-based payments.

b. Functional currency

The U.S. dollar is the currency of the primary economic environment in which the operations of the Company and its subsidiaries is conducted. A substantial portion of the operational costs are denominated in U.S. dollars. Accordingly, the functional currency of the Company is the U.S. dollar ("primary currency"). Foreign currency assets and liabilities are translated into the primary currency using the exchange rates in effect on the consolidated balance sheet date. Equity accounts are translated at historical rates, except for the change in accumulated deficit during the year, which is the result of the income statement translation process. Revenue and expense accounts are translated using the weighted average exchange rate during the period. Currency transaction gains and losses are presented in financial income and expenses, net.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

c. Business Combinations

The Company allocates the fair value of consideration transferred in a business combination to the assets acquired, liabilities assumed, and non-controlling interests in the acquired business based on their fair values at the acquisition date. Acquisition-related expenses are recognized separately from the business combination and are expensed as incurred. The excess of the fair value of the consideration transferred plus the fair value of any non-controlling interest in the acquiree over the fair value of the assets acquired, liabilities assumed in the acquired business is recorded as goodwill. The fair value of the consideration transferred may include a combination of cash, equity securities, earn out payments and deferred payments. The allocation of the consideration transferred in certain cases may be subject to revision based on the final determination of fair values during the measurement period, which may be up to one year from the acquisition date. The cumulative impact of revisions during the measurement period is recognized in the reporting period in which the revisions are identified. The Company includes the results of operations of the businesses that it has acquired in its consolidated results prospectively from the respective dates of acquisition.

The Company records obligations in connection with its business combinations at fair value on the acquisition date. Each reporting period thereafter, the Company revalues earn-out liabilities and records the changes in their fair value in the consolidated statements of operations and comprehensive loss.

Changes in the fair value of earn-out liabilities can result from adjustments to the discount rates, the Company's shares price, sales and profitability targets. This fair value measurement represent Level 3 measurements, as they are based on significant inputs not observable in the market. Significant judgment is required in determining the assumptions utilized as of the acquisition date and for each subsequent period. Accordingly, changes in the assumptions described above could have a material impact on the Company's consolidated results of operations.

d. Cash and cash equivalents

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

e. Marketable Securities

All highly liquid investments are classified as marketable securities and have been classified and accounted for as available-for-sale. Investment in securities consists of debt securities classified as available-for-sale and recorded at fair value. The Company classifies its marketable securities as either short-term or long-term based on each instrument's underlying contractual maturity date. Unrealized gains and losses on marketable debt securities classified as available-for-sale are reported net of the related tax effect in other comprehensive income/(loss).

f. Accounts receivables

Accounts receivable are presented net of the allowance for expected credit loss and consists of short term receivables that arise in the normal course of business. The Company performs ongoing credit evaluations of its customer's financial condition and typically requires no collateral from its customers.

The Company adopted the Current Expected Credit Losses ("CECL") guidance effective January 1, 2020. The Company maintains the allowance for estimated losses resulting from the inability of the Company's customers to make required payments. The allowance represents the current estimate of lifetime expected credit losses over the remaining duration of existing accounts receivable considering current market conditions and supportable forecasts when appropriate. The estimate is a result of the Company's ongoing evaluation of collectability, customer creditworthiness, historical levels of credit losses, and future expectations.

Changes in the allowance for credit losses are recognized in, general and administrative expenses. Accounts receivables are written-off against the allowance for credit losses when management deems the accounts are no longer collectible.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

g. Property and equipment, net

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

	%
Computers and electronic equipment	15-33
Office furniture and lab equipment	6-20
Vehicles	33
Equipment and machinery	10-20
Leasehold Improvement	10
Land	N/A

The depreciable life of leasehold improvements is limited by the expected lease term, unless there is a transfer of title or a purchase option for the leased asset reasonably certain of exercise.

h. ***Intangible Assets, net***

Goodwill

Goodwill reflects the excess of the consideration transferred plus the fair value of any non-controlling interest in the acquiree at the business combination date over the fair values of the identifiable net assets acquired. Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. The Company allocates goodwill to its reporting units based on the reporting unit expected to benefit from the business combination. The primary items that generate goodwill include the value of the synergies between the acquired companies and the Company and the acquired assembled workforce, neither of which qualifies for recognition as an intangible asset. ASC 350, "Intangibles - Goodwill and other" ("ASC 350") requires goodwill to be tested for impairment at the reporting unit level at least annually or between annual tests in certain circumstances and written down when impaired. ASC 350 allows an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. If the qualitative assessment does not result in a more likely than not indication of impairment, no further impairment testing is required. If it does result in a more likely than not indication of impairment, the quantitative goodwill impairment test two-step impairment test is performed. Alternatively, ASC 350 permits an entity to bypass the qualitative assessment for any reporting unit and proceed directly to performing the quantitative first step of the goodwill impairment test.

The provisions of the accounting standard for goodwill allow the Company to first assess qualitative factors to determine whether it is necessary to perform the next goodwill impairment quantitative test. Examples of events or circumstances that may be indicative of impairment include but are not limited to: macroeconomic and industry conditions, overall financial performance and adverse changes in legal, regulatory, market share and other relevant entity specific events. The carrying value of each reporting unit is determined by assigning the assets and liabilities, including the existing goodwill, to those reporting units. When necessary, the Company records charges for impairments of goodwill for the amount by which the carrying amount exceeds the fair value of these assets. No goodwill impairment charge was recorded in 2021.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

other Intangible Assets, net

Definite life intangible assets are amortized using the straight-line method over their estimated period of useful life. Amortization of acquired developed technology, image big data, market platform, trade names, customer relationships and radiologist relationships are recorded under cost of revenues and selling and marketing expenses. In addition, the remaining amortization period for the impaired asset would be reassessed and, if necessary, revised.

i. Impairment of long-lived assets

The Company tests long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. Recoverability of long-lived assets is measured by comparing the carrying amount of the long-lived asset to the estimated undiscounted future cash flows expected to be generated by the asset or asset group. If the sum of the expected undiscounted cash flow is less than the carrying amount of the asset, the Company recognizes an impairment loss, which is the excess of the carrying amount over the fair value of the asset, using the expected future discounted cash flows.

j. Severance pay

Israeli labor law generally requires severance pay be granted upon dismissal of an employee or upon termination of employment under certain other circumstances. Pursuant to Section 14 of the Severance Compensation Act, 1963 ("Section 14"), all of the Company's employees in Israel are entitled to monthly deposits, at a rate of 8.33% of their monthly salary, made in their name with insurance companies. Payments under Section 14 relieve the Company from any future severance payment obligation with respect to those employees and, as such, the Company may only utilize the insurance policies for the purpose of disbursement of severance pay. As a result, the Company does not recognize an asset nor liability for these employees.

In 2021 and 2020, all of the employees of the Company and its subsidiary in Israel are subject to Section 14 of the Severance Law.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

k. Legal and other contingencies

Certain conditions, such as legal proceedings, may exist as of the date the consolidated financial statements are issued that may result in a loss to the Company, but that will only be resolved when one or more future events occur or fail to occur. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company's management evaluates with its legal advisors the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought. Such assessment inherently involves an exercise of judgment. Legal fees are expensed as incurred.

Management applies the guidance in ASC 450-20-25 when assessing losses resulting from contingencies. If the assessment of a contingency indicates that it is probable that a material loss would be incurred and the amount of the liability can be estimated, then the Company records an accrued expense in the Company's consolidated financial statements based on its best estimate. Loss contingencies considered to be remote by management are generally not disclosed unless material. For additional information see note 11.

l. Revenue Recognition

The majority of the Company's revenues are derived from radiology services fees received from various payors based on established billing rates. Revenues are derived directly from hospitals and healthcare providers. The Company recognizes revenue in the period in which the performance obligation is satisfied. The Company records the amount of revenue that reflects the consideration that it expects to receive in exchange for those services. The Company applies the following five-step model in order to determine this amount: (i) identification of the contract with a customer; (ii) identification of the promised services in the contract and determination of whether they represent performance obligations, including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation.

The Company records deferred revenue for any upfront payments received in advance of the Company's performance obligations being satisfied. These contract liabilities consist principally of unearned radiology service fee.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

m. Research and development expenses

Research and development expenses are charged to the statement of operations as incurred and consist primarily of personnel, materials and supplies for research and development activities.

n. Income tax

1) The Company accounts for income taxes in accordance with ASC 740, "Income Taxes" ("ASC 740"). ASC 740 prescribes the use of the liability method whereby deferred tax asset and liability account balances are determined based on differences between the 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 their estimated realizable value if it is more likely than not that a portion or all of the deferred tax assets will not be realized, based on the weight of available positive and negative evidence. Deferred tax liabilities and assets are classified as non-current in accordance with ASU 2015-17.

2) Taxes that would apply in the event of disposal of investments in foreign subsidiaries have not been taken into account in computing the deferred income taxes, as it is the Company's intent and ability to hold these investments.

3) The Company accounts for uncertain tax positions in accordance with ASC 740-10. ASC 740-10 contains a two-step approach to recognizing and measuring 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% (cumulative probability) likely to be realized upon ultimate settlement. The Company accrues interest and penalties related to unrecognized tax benefits under taxes on income (tax benefit).

4) Valuation allowances are provided unless it is more likely than not that the deferred tax asset will be realized. In the determination of the appropriate valuation allowances, the Company considers future reversals of existing taxable temporary differences, the most recent projections of future business results, prior earnings history, carryback and carry forward and prudent tax strategies that may enhance the likelihood of realization of a deferred tax asset. Assessments for the realization of deferred tax assets made at a given balance sheet date are subject to change in the future, particularly if earnings of a subsidiary are significantly higher or lower than expected, or if the Company takes operational or tax positions that could impact the future taxable earnings of a subsidiary.

o. Share-based compensation

The Company accounts for share-based compensation under ASC 718, "Compensation - Stock Compensation," which requires the measurement and recognition of compensation expense based on estimated fair values for all share-based payment awards made to non-employees, employees, officers and directors. ASC 718 requires companies to estimate the fair value of equity-based payment awards on the date of grant. The Company uses the Black-Scholes-Merton option-pricing model as part of such estimation.

Prior to the adoption of ASU 2018-07, warrants issued to consultants and other non-employees, as compensation for services provided to the Company, were accounted for based upon the fair value of the warrants. The fair value of the warrants granted was measured on a final basis at the end of the related service period and was recognized over the related service period using the straight-line method. After the adoption of ASU 2018-07, the measurement date for non-employee awards is the date of the grant. The compensation expense for non-employees is recognized without changes in the fair value of the award, over the requisite service period, which is the vesting period of the respective award using the straight line. The Company adopted ASU 2018-07 as of January 1, 2019 with no impact on its consolidated financial statements as all of the Company's awards were fully vested at the adoption date.

The Company recognizes compensation expenses for its stock-based option awards and RSUs on a straight-line basis over the requisite service period (primarily a four-year period). The Company accounts for forfeitures as they occur.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

p. Loss per share

Basic earnings per share is computed by dividing net income (loss) attributable to holders of ordinary shares of the Company by the weighted average number of ordinary shares outstanding for each reporting period.

In computing the Company's diluted earnings per share, the denominator for diluted earnings per share is a computation of the weighted-average number of ordinary shares and the potential dilutive ordinary shares outstanding during the period. Potential dilutive ordinary shares outstanding include the dilutive effect of in-the-money options using the treasury stock method.

The Company did not take into account any dilutive instruments, such as investor warrants , share-based payments and earn-out liability - contingently issuable ordinary shares , since their effect, on a fully diluted basis, is anti-dilutive.

q. Fair value measurement

Fair value is based on the price that would be received from the sale of an asset or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, the guidance establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described as follows:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers counterparty credit risk in its assessment of fair value.

The Company's financial instruments consist mainly of cash and cash equivalents, restricted cash, accounts receivable, accounts payable, accrued expenses and other liabilities. The fair value of these financial instruments approximates their carrying values.

	Balance as of December 31, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Money market funds (*)	-	29,697		29,697
Marketable securities	-	89,911	-	89,911
Total assets	-	119,608	-	119,608
Liabilities:				
Long term loan (**)	-	-	3,796	3,796
Contingent short term earnout liability	-	-	42,471	42,471
Contingent long-term earnout liability	-	-	5,814	5,814
Total liabilities	-	-	52,081	52,081

The Company classifies AFS securities within Level 2 because it uses alternative pricing sources and models utilizing market observable inputs to determine their fair value

(*) As of December 31, 2021, approximately $29,697 thousand of debt securities were classified under "Cash and Cash equivalents" in the consolidated balance sheets as such securities met all applicable classification criteria.

(**) Since the loan was originated in September 2021, the fair value of the long term loan approximates its carrying value.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

r. Concentration of Credit Risks

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, restricted cash, marketable securities and accounts receivable.

The Company's cash and cash equivalents and restricted cash are invested with major banks in Israel, United States, Korea and Japan. Generally, these investments may be redeemed upon demand and the Company believes that the financial institutions that hold the Company's cash balances are financially sound and, accordingly, bear minimal risk.

s. Offering Costs

Deferred offering costs directly relating to the Company's private and initial public offering, were capitalized and offset against proceeds upon the consummation of the private and IPO transactions in shareholders' equity.

t. Leases

On January 1, 2019 the Company adopted ASU No. 2016-02, Leases ("Topic 842"), The Company determines if an arrangement is a lease at inception. Balances related to operating leases are included in operating lease right-of-use ("ROU") assets, current maturities of operating leases liabilities and Non-current operating leases liabilities in the consolidated balance sheets.

The Company also elected not separating lease components from non-lease components and to keep leases with an initial term of 12 months or less off the balance sheet and recognize the associated lease payments in the consolidated statements of operations on a straight-line basis over the lease term.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized as of the commencement date based on the present value of lease payments over the lease term. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. The discount rate for the lease is the rate implicit in the lease unless that rate cannot be readily determined. As the Company's leases do not provide an implicit rate, the Company's uses its estimated incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term (see also note 7).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

The Company presents unrecognized tax benefits as a reduction to deferred tax asset where a net operating loss, a similar tax loss, or a tax credit carryforward that are available, under the tax law of the applicable jurisdiction, to offset any additional income taxes that would result from the settlement of a tax position.

u. Segment reporting

ASC 280, "Segment Reporting," establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker is the Company's Chief Executive Officer (the "CODM"), who makes resource allocation decisions and assesses performance based on financial information prepared on a consolidated basis, accompanied by disaggregated information about revenues, gross profit and operating loss by the three identified reportable segments. The Company's business includes three operating segments based on the services that the Company provides. The three segments are composed from the Nanox.Arc segment, AI solutions and the Radiology services division segment.

v. Newly issued and recently adopted accounting pronouncements:

Accounting Pronouncements Adopted in Current year

. In December 2019, the FASB issued ASU 2019-12, Income Taxes ("Topic 740"): Simplifying the Accounting for Income Taxes, which simplifies the accounting for income taxes by removing certain exceptions to the general principles and simplification of areas such as franchise taxes, step-up in tax basis goodwill, separate entity financial statements and interim recognition of enactment of tax laws or rate changes. The guidance was effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. The Company adopted this guidance since January 1, 2021, with no material impact on its consolidated financial statements.

In October 2021, the FASB issued ASU 2021-08 "Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers", which requires contract assets and contract liabilities acquired in a business combination to be recognized and measured by the acquirer on the acquisition date in accordance with ASC 606, Revenue from Contracts with Customers. The guidance will result in the acquirer recognizing contract assets and contract liabilities at the same amounts recorded by the acquire. The guidance should be applied prospectively to acquisitions occurring on or after the effective date. The guidance is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted, including in interim periods, for any financial statements that have not yet been issued. The Company early adopted ASU 2021-08 since January 1, 2021, with no material impact on its consolidated financial statements.

Recently issued accounting pronouncements, not yet adopted

In August 2020, the FASB issued ASU 2020-06 "Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815 – 40)." This guidance simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. The amendments to this guidance are effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. The Company will adopt this guidance effective January 1, 2022, with no material impact on its consolidated financial statements.

NOTE 3 – BUSINESS COMBINATION AND OTHER TRANSACTION

a. The acquisition of Nanox AI Ltd (formerly Zebra Medical Vision Ltd.).

On November 4, 2021("the merger date"), the Company, completed the merger ("the Nanox AI transaction") pursuant to the terms of the Agreement and Plan of Merger, dated August 9, 2021 (with certain amendments), among the Company, Zebra Medical Vision Ltd. ("Zebra") and Perryllion Ltd., as representative of Zebra's equity holders. At November 4, 2021 the Company issued 3,249,142 ordinary shares of the Company and committed to issue 70,211 employee options and restricted stock units to the equity holders of Zebra with an estimated fair value at the closing date of $88,510 thousand, representing $26.57 per share in consideration for the fully outstanding shares on a fully diluted basis of Zebra. Out of which $315 thousand was allocated to the purchase consideration and $970 thousand was allocated to future services and continued employment and shall be expensed over remaining service periods of up to 4 years. The fair value of ordinary shares issued by the Company was determined using the Company's closing trading price on the merger date. The consideration represented (a) the basic purchase price minus (b) certain transaction costs; plus (c) contingent consideration as a result of Zebra entering into a designated commercial agreement prior to closing; plus (d) additional contingent consideration as a result of Zebra achieving a designated milestone of obtaining a new FDA clearance for its population health product and additional consideration as a result of Zebra achieving designated milestones as further described below. In addition, if Zebra enters into any of the two additional designated commercial agreements within 6 months of the agreement execution date (August 9, 2021), then the Company will pay a deferred closing consideration in the amount of $3,333 thousand in shares for each agreement. The deferred closing consideration would be paid in the Company's shares in the amount of the relevant instalment payment divided by the average closing price of the 30 trading days ending on the applicable agreement signing date. Further, if Zebra achieves the agreed milestones related to obtaining certain FDA clearances and security certifications, completing certain technology integration, or achieving certain revenue and employee retention targets over the next three years, the Company will pay additional consideration in the amount of up to $77,700 thousand. Each of these milestone instalments would be paid in the Company's shares in the amount of the relevant instalment payment divided by the average closing price of the 30 trading days ending on the applicable milestone's achievement date. Zebra changed its name to Nanox AI ltd. and Zebra Medical Vision Inc. (a fully owned subsidiary of Zebra, which is incorporated under the laws if the State of Delaware) changed its name to Nanox AI Inc.

The Nanox AI transaction was accounted in accordance with ASC 805, "Business Combinations", using the acquisition method of accounting with the Company as the acquirer.

The following table summarizes the fair value of the consideration transferred to Nanox AI shareholders for the Nanox AI transaction:

	U.S.$ in thousand
Cash payments	$ -
Issuance of ordinary shares, options and RSUs	88,510
Contingent short term earnout liability	38,129
Contingent long term earnout liability	2,660
Total consideration	$ 129,299

In accordance with ASC 805, the estimated contingent consideration as of the Nanox AI transaction date was included in the purchase price. The total contingent payments could reach to a maximum aggregate amount of up to $77,700 thousand, all shall be settled through the issuance of ordinary shares. The Company determined the fair value of the liabilities for the contingent consideration based on a probability-weighted discounted cash flow analysis. This fair value measurement is based on significant unobservable inputs in the market and thus represents a Level 3 measurement within the fair value hierarchy. The fair value of the contingent consideration is based on several factors, such as: the cash flows projected from the success of achievements of several achievement and payment of milestone events; the time and resources needed to achieve those milestones and the risk adjusted discount rate for fair value measurement. A probability of success factor was used in the fair value calculation to reflect inherent regulatory and commercial risk of the contingent payments. The weighted average discount rate, applied on the relative fair value of the contingent consideration liabilities, was 19%. The contingent consideration is evaluated quarterly, or more frequently, if circumstances dictate. Changes in the fair value of contingent consideration are recorded in consolidated statements of income. Significant changes in unobservable inputs, mainly the probability of success and cash flows projected, could result in material changes to the contingent consideration liabilities.

NOTE 3 – BUSINESS COMBINATION AND OTHER TRANSACTION (continued):

The allocation of the purchase price to assets acquired and liabilities assumed, including measurement period adjustments (, is as follows:

	Allocation of Purchase Price
	(U.S. $ in thousands)
Cash, cash equivalents and Restricted Cash	$ 6,956
Accounts Receivables	99
Other current assets	430
Intangible assets	79,816
Goodwill	51,243
Other assets	1,693
Total assets acquired	140,237
Net deferred tax liabilities	3,413
Contingent short term earnout liability	38,129
Contingent long-term earnout liability	2,660
Convertible note (*)	3,000
Other labilities	4,525
Total liabilities assumed	51,727
Net assets acquired	$ 88,510

(*) A 3 years Convertible Loan Agreement, dated August 9, 2021 between the Company and Nanox AI in the amount of $3 million, which bears an annual interest of 6% and shall be automatically converted into the Nanox AI's Preferred C Shares, at a price per share of $23.42. This loan is eliminated in the Consolidated financial statements.

The allocation of the purchase price to net assets acquired and liability assumed resulted in the recognition of intangible asset related to technology of $27,316 thousand which will be expensed over remaining service periods of 10 years, Image Big Data of $52,500 thousand which will be expensed over remaining service periods of 10 years, and goodwill of $51,243 thousand, which is primarily attributed to the expected synergies from combining the operations of Zebra's AI solutions with the Company tomographic imaging systems. As such, the goodwill will be assigned to the operational segment of AI solutions. The goodwill amount is not deductible for tax purposes. The fair value estimate of the developed technology is determined using a variation of the income approach known as the "Multi-Period Excess Earnings Approach". This valuation technique estimates the fair value of an asset based on market participants' expectations of the cash flows an asset would generate over its remaining useful life. The net cash flows were discounted to present value. Due to the timing of the transaction closing date, the fair values assigned to assets acquired and liabilities assumed are preliminary, based on management's estimates and assumptions and may be subject to change as additional information is received. We expect to finalize the valuation as soon as practicable, but not later than one year from the acquisition date. Refer to notes 2c and 2h.

The amount of the acquisition-related costs was approximately $310 which was recognized as an expense in the general and administration expenses.

NOTE 3 – BUSINESS COMBINATION AND OTHER TRANSACTION (continued):

The results of operations of Nanox AI have been included in the consolidated financial statements since the date of the acquisition. The amounts of revenues and net loss related to Nanox AI that are included in the Company's consolidated statements of operations for the period starting from the merger date to December 31, 2021, are $270 thousand and $4,157 thousand, respectively.

The following unaudited pro forma information presents the combined results of operations of the Company and Nanox AI as if the acquisition of Nanox AI had been completed on January 1, 2020.

The unaudited pro forma results include adjustments primarily related to amortization of the acquired intangible assets and share-based compensation associated with option grants as referenced above, as of January 1,2020. The unaudited pro forma results do not reflect any cost saving synergies from operating efficiencies, or the effect of the incremental costs incurred from integrating Nanox AI. Accordingly, these unaudited pro forma results are presented for informational purposes only and are not necessarily indicative of what the actual results of operations of the combined company would have been if the acquisition of Nanox AI had occurred at the beginning of 2020.

	For the Year Ended December 31, 2021	For the Year Ended December 31, 2020
	US$ in thousand	
Revenue	$ 2,363	$ 1,550
Net loss	$ (87,045)	$ (69,875)

b. The acquisition of USARAD Holding Inc. (the "USARAD transaction")

On November 2, 2021 (the "USARAD closing date"), the Company completed the acquisition of 100% of the shares of USARAD Holdings, Inc., a Delaware corporation ("USARAD"), pursuant to the terms of the Stock Purchase Agreement, dated October 25, 2021, among the Company, USARAD, Dr. Michael Yuz, other holders of capital stock of USARAD, and holders of USARAD options. At the USARAD closing date, Nanox U.S. purchased 100% of the shares of USARAD on a fully diluted basis for $7,147 thousand in cash and 496,545 of the Company's ordinary shares with an estimated fair value of $11,500 thousand. The number of ordinary shares issued by the Company was determined using the average closing trading price during the 30 trading days preceding to the closing date. The total consideration was approximately $18,647 thousand. In addition, upon the successful achievement of certain milestones related to profitability, EBITDA and other operational performance-based earnouts over 2 years, the Company will pay additional cash consideration in the amount of up to $2,000 thousand and stock consideration in the amount of up to $6,500 thousand at a per share value determined by the average of i) the volume weighted average closing share price of the 30 trading days prior to the relevant milestone completion, and (ii) the volume weighted average closing share price of the 30 trading days ending on August 6, 2021.. Revenue in the amount of $1,034 and net loss in the amount of $358 thousand of the acquiree included in the Company's consolidated statements of operations for the year ended at December 31,2021.

NOTE 3 – BUSINESS COMBINATION AND OTHER TRANSACTION (continued):

The USARAD transaction was accounted in accordance with ASC 805, "Business Combinations", using the acquisition method of accounting with the Company as the acquirer.

The following table summarizes the fair value of the consideration transferred to USARAD shareholders for the USARAD transaction:

	U.S. $ in thousands
Cash payments	$ 7,147
Issuance of ordinary shares	11,500
Contingent consideration at estimated fair value	6,405
Total consideration	$ 25,052

In accordance with ASC 805, the estimated contingent consideration as of the USARAD transaction date was included in the purchase price. The total contingent payments could reach to a maximum aggregate amount of up to $8,500 thousand. Approximately 23.52% of the payments shall be settled in cash, and 76.47% shall be settled through the issuance of ordinary shares. The estimated fair value of the contingent consideration is based on management's assessment of whether, and at what level, the financial metrics will be achieved, and the present value factors associated with the timing of the payments. This fair value measurement is based on significant unobservable inputs in the market and thus represents a Level 3 measurement within the fair value hierarchy. Changes in the fair value of contingent consideration will be recorded in operating expenses. Additional payment of $144 thousand may be paid to USARAD's shareholders if an approval of the PPP loan by the Federal Government will occur.

The allocation of the purchase price to assets acquired and liabilities assumed is as follows:

	Allocation of Purchase Price (U.S. $ in thousands)
Cash and cash equivalents	$ 332
Accounts Receivables	912
Intangible assets	21,187
Goodwill	7,055
Other assets	33
Total assets acquired	29,519
Loan from a government agency	144
Other liabilities	557
Net deferred tax liabilities	3,766
Contingent short term earnout liability	3,453
Contingent long term earnout liability	2,952
Total liabilities assumed	10,872
Net assets acquired	$ 18,647

NOTE 3 – BUSINESS COMBINATION AND OTHER TRANSACTION (continued):

The allocation of the purchase price to net assets acquired and liability assumed resulted in the recognition of intangible asset related to retained radiologists of $17,770 thousand, customers' relationship of $1,322 thousand, trademark of $2,095 thousand and goodwill of $7,055 thousand. As such, the goodwill will be assigned to the operational segment of radiology services. The intangible asset relates to retained radiologists has a useful-life of 11.17 years, the intangible asset relates to customers' relationship has a useful-life of 6.17 years and the intangible asset relates to the trademark has a useful-life of 12.17 years. This fair value measurement is based on significant unobservable inputs in the market and thus represents a Level 3 measurement within the fair value hierarchy. The fair value of the contingent consideration is based on several factors, such as: the cash flows projected from the success of achievements of several achievement and payment of milestone events; the time and resources needed to achieve those milestones and the risk adjusted discount rate for fair value measurement. A probability of success factor was used in the fair value calculation to reflect inherent regulatory and commercial risk of the contingent payments. The weighted average discount rate, calculated based on the relative fair value of the contingent consideration liabilities, was 21.9%. The contingent consideration is evaluated quarterly, or more frequently, if circumstances dictate. Changes in the fair value of contingent consideration are recorded in consolidated statements of income. Significant changes in unobservable inputs, mainly the probability of success and cash flows projected, could result in material changes to the contingent consideration liabilities. Due to the timing of the transaction closing date, the fair values assigned to assets acquired and liabilities assumed are preliminary, based on management's estimates and assumptions and may be subject to change as additional information is received. We expect to finalize the valuation as soon as practicable, but not later than one year from the acquisition date. Refer to notes 2c and 2h.

During 2021, USARAD executed the standard loan documents required for securing a loan from the SBA under its Paycheck Protection Program Loan ("PPP") assistance program in light of the impact of the COVID-19 pandemic on the Company's business. Pursuant to that certain Loan Authorization and Agreement, the principal amount of the PPP Loan is $144, with proceeds to be used for working capital purposes. Interest accrues at the rate of 1.00 % per annum and the term of the loan is five years. After the completion of the acquisition USARAD applied for forgiveness of the loan. Per to the terms of the Stock Purchase Agreement, the Company will pay the forgiven amounts to the former shareholders of USARAD.

The amount of the acquisition-related costs was approximately $198 which was recognized as an expense in the general and administration expenses.

Pro forma results of operations related to the USARAD acquisition have not been prepared because they are not material to the Company's consolidated financial statements.

c. The Assets acquisition of MDWEB LLC.

On November 3, 2021, the Company completed the acquisition of the market platform and other assets of MDWEB, LLC ("MDWEB"), pursuant to the terms of the Asset Purchase Agreement, dated October 21, 2021, between the Company and MDWEB. At the same date, the Company issued 64,715 of its ordinary shares to MDWEB with an estimated fair value of $1,500 thousand. In addition, upon the successful achievement of certain milestones related to technical integration of MDW platform with Nanox Cloud and achieving certain other operational targets, the Company will pay additional stock consideration in the amount of up to $1,500 thousand at a per share value determined by the average closing price of the 30 trading days ending on the applicable milestone's achievement date. In addition, upon the successful achievement of certain milestones and other operational performance-based earnouts over 2 years, the Company will pay stock consideration in the amount of up to $1,500 thousand at a per share value determined by the average closing price of : (i) closing price of the 30 trading days ending on the applicable milestone's achievement date: and (ii) the volume weighted average closing share price of the 30 trading days prior to the closing date. .

The Company will amortize the intangible assets on a straight-line basis over their expected useful life of 48 months. Refer to note 2h.

NOTE 4 — GOODWILL & INTANGIBLE ASSETS, NET:

Goodwill

The following table presents the changes in the carrying amount of goodwill and the intangible assets as of December 31, 2021 (U.S. dollars in thousands):

Balance as of December 31, 2020	$ -
Goodwill from acquisition of Zebra	51,243
Goodwill from acquisition of USARAD	7,055
Balance as of December 31, 2021	$ 58,298

Intangible assets

The acquired intangible assets has an estimated fair value as of December 31, 2021 of $101,826 thousand. The Identifiable intangible assets were recorded as follows (U.S. dollars in thousands):

	Weighted Average Useful Life (in Years)	Amount as of the merger/ acquisition date	Amortization expense for the period	Amount as of December 31, 2021
Developed technology	10	$ 27,316	$ 455	$ 26,861
Image big data	10	$ 52,500	$ 875	$ 51,625
Market platform	4	$ 2,591	$ 108	$ 2,483
Radiologist relationships	11.17	$ 17,770	$ 265	$ 17,505
Trade name	12.17	$ 2,095	$ 29	$ 2,066
Customer relationships	6.17	$ 1,322	$ 36	$ 1,286
Total		$ 103,594	$ 1,768	$ 101,826

Intangible assets with estimable useful lives are amortized over their respective estimated useful lives to their estimated residual values and reviewed periodically for impairment. Amortization expenses were $1,768 and $0 and $0 for the years ended December 31, 2021 and December 31, 2020 and December 31, 2019, respectively.

Amortization of intangible assets for each of the next five years and thereafter is expected to be as follows:

Year ended December 31,	
2022	$ 10,607
2023	10,607
2024	10,607
2025	10,499
2026 and thenafter	59,506
Total	$ 101,826

NOTE 5 - PROPERTY AND EQUIPMENT, NET:

Composition of property and equipment grouped by major classifications is as follows:

	%
Computers and electronic equipment	10-33
Office furniture and lab equipment	6-20
Vehicles	33
Machines	10-20
Leasehold Improvement	10
Land	N/A

	December 31,	
	2021	**2020**
	(U.S. Dollars in thousands)	
Office furniture and lab equipment	648	820
Computers and electronic equipment	1,109	151
Equipment and machinery	2,766	1762
Leasehold improvement	544	16
Vehicles	132	-
Land – See b below	6,314	6,297
Production line in construction – See b below	26,790	5,318
	38,303	14,364
Less: accumulated depreciation	(868)	(344)
Total property and equipment, net	37,435	14,020

a. Total depreciation in respect of property and equipment were approximately $524 thousand, $208 thousand and $53 thousand for the years ended December 31, 2021, 2020 and 2019, respectively.

b. In December 2020, Nanox Korea purchased a land for approximately $6.3 million upon which it intends to build a fabrication facility. In 2021, Nanox Korea completed the construction of the permanent fabrication plant.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH:

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported on the consolidated balance sheet that sum to the same total amount as shown in the consolidated statement of cash flows.

	December 31,	
	2021	2020
	(U.S. Dollars in thousands)	
Cash and cash equivalents	66,645	213,468
Restricted bank deposit (1)	127	316
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	66,772	213,784

(1) As of December 31, 2021, the Company's restricted cash consisted of a bank deposit that was denominated in New Israeli Shekel. Restricted deposit is presented at cost including accrued interest. This bank deposit is used as security for credit card use and collateralizing the Company's lease contracts

NOTE 7 - LEASES:

As of December 31, 2021, the Company has several operating lease agreements for its car and facilities, as follows:

During the fourth quarter of 2019, the Company entered into an office lease agreement. This agreement was through December 31, 2021 with an option by the Company to extend the period for an additional 24 months. The Company exercised the option.

The monthly rent payment is approximately $13 thousand. During June 2020, the Company entered into an additional office lease agreement, expanded the space leased in 2019, through June 30, 2023. The monthly rent payment for this agreement is approximately $15 thousand. During November 2020the Company signed an additional lease agreement, for leasing another office complex through June 30, 2023. The monthly rent payment for this agreement is approximately $12 thousand. On December 31,2021, the Company exercised its option to extend the lease for additional period of 24 months.

The Company leases vehicles to some of its employees. The lease agreement is effective through June 30, 2023 and the monthly payment for this agreement is approximately $12 thousand.

Nanox Korea leases 3 vehicles to some employees. These lease agreements are effective through November 2023 to February 2024 and the monthly payment for these agreements is approximately $ 5 thousand.

In 2021 Nanox Korea leased approximately 390 square meters of space for a temporary fabrication facility and approximately 200 square meters of space for a research and development center in Korea. During 2021 this lease ended due to the transfer of the temporary fabrication facility to the Company's permanent fabrication facility in Yongin, Geonggi province.

Nanox AI leases its offices in Israel under operating lease agreement which expires in November 22 2024. Nanox AI has an option to extend the period for an additional 24 months through November 2026. Nanox AI concluded that it is not reasonably certain that it will exercise the renewal option. Accordingly, such renewal option was not included in determining the lease term.

The monthly rent payment for this agreement is approximately $12 thousand and the management fee is $4.

The table below presents the effects on the amounts relating to the Company's total lease costs:

	Year ended December 31, 2021	Year ended December 31, 2020
	(U.S. Dollars in thousands)	(U.S. Dollars In thousands)
Operating lease cost:		
Fixed payments	653	276
Short-term lease cost	48	65
Total operating lease cost	701	341

NOTE 7 - LEASES (continued):

The table below presents supplemental cash flow information related to operating leases:

	Year ended December 31, 2021 (U.S. Dollars in thousands)	Year ended December 31, 2020 (U.S. Dollars in thousands)
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	507	169
Right-of-use assets obtained in exchange for lease obligations (non-cash):		
Operating leases	194	1,085

The table below presents supplemental balance sheet information related to operating leases:

	December 31, 2021 (U.S. Dollars in thousands)	December 31, 2020 (U.S. Dollars in thousands)
Operating leases:		
Operating lease right-of-use assets	1,725	1,359
Current maturities of operating leases	881	519
Non-current operating leases	950	923
Total operating lease liabilities	1,831	1,442

	December 31, 2021	December 31, 2020
Weighted average remaining lease term		
Operating leases	2.14	2.67
Weighted average discount rate		
Operating leases	5.70%	5.83%

NOTE 7 - LEASES (continued):

The table below presents maturities of operating lease liabilities:

	December 31, 2021 (U.S. Dollars in thousands)
2022	961
2023	745
2024	245
2025 and thereafter	-
Total operating lease payments	1,951
Less: imputed interest	120
Present value of lease liabilities	1,831

NOTE 8 – DEFERRED REVENUE

The following table represents the changes in deferred revenue for the year ended December 31, 2021:

	Deferred Revenue
Balance at December 31, 2020	$ -
Increase due to the business combinations	483
Change in deferred revenue	179
Balance at December 31, 2021 (*)	$ 662

- Includes $415 thousand under long term deferred revenue in the Company's consolidated balance sheets as of December 31, 2021.

NOTE 9 - RELATED PARTIES:

As of December 31, 2019, the Company recorded a Related Party Liability in an amount of $17.8 million, which represents the fair value of the shares that have been issued to Nanox PLC, based on the last financing round of the Company.

During January 2020, subject to entering into a share purchase agreement in the aggregate amount of at least $6 million, and a pre-money valuation of more than $100 million, the Company's Board approved the issuance and allotment of 1,109,245 ordinary shares to Nanox PLC with the purchase price of $12.00 per share, which reflects a discount of 25% from the price of the last financing round of the Company. As a result, on January 30, 2020 the related party liability was settled into equity.

NOTE 9 - RELATED PARTIES (continued):

Related party balances at December 31, 2021 and December 31, 2020 consisted of the following:

	December 31, 2021	December 31, 2020
	(Dollars in thousands)	
(a) Due from Illumigyn	$ 3	$ 27
(b) Due from Wellsense Technologies Ltd.	11	14
(c) Due from Six-Eye Interactive	1	(5)
(c) Due from Six AI ltd.	3	-
Total from related parties	$ 18	$ 36

b. Related parties transactions:

	Year ended December 31,		
	2021	2020	2019
	(U.S. Dollars in thousands)		
Research and development – see d below	80	355	154
General and administrative – See c, e and f below	(191)	(167)	5,824

c. Six-Eye Interactive agreements for services

On June 1 2015, Nanox PLC entered into a consulting agreement with Six-Eye, a company owned by Ran Poliakine, the Company's former Chief Executive Officer and one of major shareholders, pursuant to which Ran Poliakine agreed to provide services as Chief Strategy Officer and a member of the Executive Committee to Nanox PLC. On May 1, 2017, Nanox PLC entered into a services agreement with Six-Eye for the supply of ongoing services, which include research and development services, general and financial management (including accountancy), office management services and operational and supply services. According to the agreement between the parties, Nanox PLC reimburses Six-Eye for its actual direct expenses plus a 12% surplus charge. The agreements were terminated in September 2019. During the year ended December 31 2019 the total expenses to Six-Eye were $679 thousand. In addition to the services provided by Six-Eye during 2019, Six-Eye also paid directly to third-party consultants and suppliers on behalf of the Company in the amount of approximately $1,015 thousand prior to the completion of the Company's equity financing.

d. Six AI Ltd Service agreement

On April 16, 2020, the Company entered into an agreement with SixAI Ltd. (hereinafter-"SixAI") a company controlled by Ran Poliakine, the Company's former Chief Executive Officer for certain software development and mechanical engineering services. The service agreement was effective as of March 1, 2020 and has been extended by mutual agreement of the parties several times, until terminated at December 31, 2021. During the years ended December 31, 2021 and 2020, the Company recorded an expense of $80 and $355 thousand, respectively. Mr. Poliakine currently serves as a member of the board of directors of SixAI and Mr. Poliakine is a significant shareholder of SixAI.

e. Illumigyn Ltd.

Illumigyn Ltd (hereinafter – "Illumigyn") is a company in which Ran Poliakine, the Company's former Chief Executive Officer, is a significant shareholder primarily through indirect holdings. Since November 1 2019, Illumigyn sub-leased in transaction approximately 1,800 square feet of private office space, including access to shared public spaces, from the office spaces which the Company leases in Neve Ilan, Israel. Illumigyn pays approximately $12 thousand per month. During the years ended December 31, 2021 and 2020, the Company received approximately $125 and $163 thousand, respectively in relation to the sub lease.

NOTE 9 - RELATED PARTY LIABILITY (continued):

f. Wellsense Technologies Ltd.

Wellsense Technologies Ltd.(hereinafter – "Wellsense") is a company in which Ran Poliakine, the Company's former Chief Executive Officer, and Richard Stone, a member of the Company's board of directors, are shareholders. Since February 2020, Wellsense has sub-leased private office space, including access to shared public spaces, from the Company in Neve Ilan, Israel. Wellsense pays approximately $7.0 thousand per month. During the years ended December 31, 2021 and 2020, the Company received $66 and $59 thousand, respectively in relation to the sub lease.

g. Employment Agreements

The Company has entered into an employment agreement with Ran Poliakine, the Company's founder, Chairman of the Board of Directors, and former Chief Executive Officer. Pursuant to the agreement, if the Company terminates Ran Poliakine's employment and waives his obligation to perform services during the notice period of 180 days, Ran Poliakine will be entitled to receive payments of his base salary and social benefits in lieu of notice for the waived period, up to the full notice period for an immediate termination. The agreement provides Ran Poliakine with a gross monthly base salary equal to $40 which was increased to $60 upon the consummation of the Company's initial public offering.

On September 27, 2021, the Company and Erez Meltzer entered into an employment agreement, pursuant to which Mr. Meltzer agreed to serve as the Company's new Chief Executive Officer ("The Meltzer Employment Agreement"). The Meltzer Employment Agreement commenced and became effective as of January 1, 2022 and shall continue for an indefinite period until it is terminated by either party. Pursuant to the terms of the Meltzer Employment Agreement, Mr. Meltzer will receive an annual base salary of nine hundred thousand dollars ($900) per year, and will be eligible for an annual incentive payment of up to one hundred percent (100%) of his base salary, which of them $450 will be guaranteed for the 2022 fiscal year if his employment is continued through the entire fiscal year, with the possibility to withdraw an advance payment on account of the 2022 annual bonus, subject to full recourse (clawback) if the bonus is not earned; Mr. Meltzer will be entitled to customary social benefits under Israeli law and practice pursuant to which the Company shall insure the CEO with a manager's insurance policy or a pension fund, or a combination of both (whereby each will apply partially), all according to his election; Mr. Meltzer will be granted options to purchase 300,000 Ordinary Shares (the "Options") which will vested equally over a period of 48 months as long as Mr. Melter will be employed by the Company. The Options shall be subject to the Company's 2019 Equity Incentive plan and, to the extent possible, be granted pursuant to Section 102 of the Israeli Income Tax Ordinance, 5721-1961. The exercise price of the Options shall be $23.84 per share, a share price equals to the 30-day average of the Company's share price on NASDAQ, prior to the date of approval of the CEO's employment agreement by the Board on September 27, 2021. Such amount may be paid by the CEO by way of a cashless exercise mechanism; The agreement calls for a 6 months' mutual notice of termination and 270 days if the Company provides notice during the first year of employment (except for "Cause" as defined in the employment agreement, in which case no prior notice will be required);

h. Service Agreement

In February 2021, the shareholders of the Company approved the entry into an agreement with Floyd Katske, effective as of October 1, 2020, whereby Floyd Katske will assist the Chief Executive Officer and the Company with various tasks given his medical knowledge, expertise and experience, as may be requested from time-to-time by the Company's Chief Executive Officer. These tasks are in addition and unrelated to his role as a member of the board of directors of the Company. Floyd Katske will be paid with respect to such services $200 per hour, against an invoice. The services will be limited to 100 hours in any calendar month, according to hours approved by the Chairman. In addition, Floyd Katske will be paid cash compensation consisting of RSUs granted in each calendar quarter, in the amount calculated by dividing (i) two times the cash compensation paid during such quarter as aforesaid by (ii) the fair market value of our ordinary shares on the last trading day of such quarter. All tax consequences will be borne by Floyd Katske. The agreement may be terminated by 14 days' written notice by either party. During the year ended December 31, 2021, the Company recorded an expense of $168 with regards to the cash payment and $473 thousand with regards to the RSUs portion of Floyds' fees.

NOTE 10 – LONG TERM LOAN

During September 2021, Nanox Korea entered into a 3 years Loan agreement with a Korean Bank, according to which the Bank granted the Company a loan in the amount of $3.8 million. The loan bears an annual interest at a rate of 3 months KORIBOR and 1.149 % , whereas interest payments are due on a monthly basis and the principal is due in the end of the loan term. The bank received a floating charge on the Company's asset.

NOTE 11 - COMMITMENTS AND CONTINGENCIES:

From time to time, The Company may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business.

in September 2020, two securities class action complaints were filed in the United States District Court for the Eastern District of New York against the Company and certain current officers and a director, which were subsequently consolidated and captioned as *White v. Nano-X Imaging Ltd. et al*, Case No. 1:20-cv-04355, alleging violations of securities laws on behalf of all persons and entities that purchased or otherwise acquired the Company's publicly traded securities between August 21, 2020 and September 15, 2020, and seeking unspecified damages. On December 7, 2020, proposed lead plaintiffs submissions were fully briefed and remain outstanding. As of December 31, 2021, the Company has not accrued any losses other than legal fees with connection to the above referenced complaints. The Company's position is that the complaint has no merit and it will defend its position vigorously.

On October 5, 2021, a class action complaint was filed in the United States District Court for the Eastern District of New York against the Company and certain of its officers, captioned McLaughlin v. Nano-X Imaging Ltd. et al, Case No. 1:21-cv-05517. The plaintiff asserts claims on behalf of persons and entities that purchased or otherwise acquired the Company's securities between June 17, 2021 and August 18, 2021, seeking unspecified damages. The plaintiff alleges that the defendants made materially false and misleading statements concerning the Company's business, operations and compliance policies beginning on June 17, 2021, based on the Company's U.S. Food and Drug Administration submissions. As of December 31, 2021, the Company has not accrued any losses other than legal fees with connection to the above referenced complaint. The Company's position that the complaint has no merit and will defend its position vigorously.

On October 28, 2021, a complaint was filed in the United States District Court for the Central District of California against the Company, the Company's recently-formed Delaware subsidiary and Nanox Gibraltar PLC ("Gibraltar") from which the Company received certain assets, as well as Mr. Ran Poliakine and certain other unidentified parties, alleging several causes of action including breach of a consulting agreement between plaintiff and Gibraltar that was entered into in 2014. The plaintiff's demand is for a payment of unpaid consulting fees from Gibraltar in the amount of approximately $1 million and approximately $29.5 million from the Company relating to his claimed entitlement to warrants in Gibraltar. The Company's position is that the complaint against the Company has no merit, among other reasons, as it was not a party to the agreement with the plaintiff and it is not Gibraltar's legal successor for any liabilities that Gibraltar may owe to the plaintiff, and it intends to defend its position vigorously.

The Division of Enforcement of the U.S. Securities & Exchange Commission (the "SEC") has notified the Company that it is conducting an investigation to determine whether there had been any violations of the federal securities laws. The Company has been providing documents and information and has now received a subpoena from the SEC requesting that the Company provide documents and other information relating to the development cost of the Company's Nanox.ARC prototypes, as well as the Company's estimate for the cost of assembling the final Nanox.ARC product at scale. The Company is cooperating with the SEC in responding to its requests. The duration and outcome of this matter cannot be predicted at this time.

NOTE 12 - SHAREHOLDERS' EQUITY:

a. Share capital

Each holder of the Company's ordinary shares is entitled to one vote. The holders of ordinary shares are also entitled to receive dividends whenever funds are legally available and declared by the Company's Board of Directors (the "Board"). Since inception, the Company has not declared any dividends.

The following table presents the number of authorized and issued and outstanding shares as of each reporting date for each class of shares:

	December 31, 2021		December 31, 2020	
	Authorized	Issued and Outstanding	Authorized	Issued and Outstanding
Ordinary shares	100,000,000	51,791,441	100,000,000	46,100,173
Total	100,000,000	51,791,441	100,000,000	46,100,173

b. Share based compensation

Share based compensation

On September 3, 2019, the Company's Board resolved to adopt an equity incentive plan (the "Plan"). Based on such Plan, each option will be exercisable for one ordinary share of the Company and will become exercisable at such terms and during such periods, as the Board shall determine. Pursuant to the Plan (and further increase of option pool approved by the Board), 8,041,936 ordinary shares of NIS 0.01 par value of the Company are reserved for issuance upon the exercise of the same amount of awards to be granted to some of the Company's employees, directors and consultants.

As of December 31, 2021, 1,841,838 ordinary shares reserved for the equity incentive plan. The Board also approved the Plan for the purpose of selecting the capital gains tax track, under Section 102 of the Israeli Income Tax Ordinance, for options granted to the Company's Israeli employees.

NOTE 12 - SHAREHOLDERS' EQUITY (continued):

Share-based compensation to non-employees

The following table summarizes share-based awards to non-employees for the period ended December 31, 2021 and December 31, 2020:

	Year ended December 31, 2021		Year ended December 31, 2020	
	Number of share-based payment awards	Weighted average exercise price	Number of share-based payment awards	Weighted average exercise price
Outstanding at beginning of year	3,372,626	$ 5.27	3,410,406	$ 1.89
Changes during the year:				
Granted	180,319	40.12	1,327,957	$ 13.70
Exercised	(1,043,142)	7.66	*(1,267,012)	$ 8.94
Forfeited	(118,954)	10.18	-	-
Expired	(66,606)	16.37	-	-
Cancelled	-	-	(98,725)	1.92
Outstanding at end of year	2,324,243	6.17	3,372,626	$ 5.27
Exercisable at end of year	1,618,777	3.35	2,191,042	$ 5.67

* Out of which 404,704 and 1,027,151 awards were exercised on a cashless basis in 2021 and 2020, respectively.

The fair value of each granted award is estimated at the date of grant using the Black- Scholes option-pricing model. The assumptions used for the year ended December 31, 2021 and year ended at December 31, 2020 are as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Dividend yield	0	0
Expected volatility	50.27% - 52.71%	57.34%-44.40%
Risk-free interest rate	0.66% - 1.61%	0.27%-1.61%
Contractual term (years)	0–10	5–10

The expected volatility is based on the historical volatility of comparable companies. The risk-free interest rate assumption is based on observed interest rates appropriate for the expected term of the awards granted in dollar terms. The Company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term. Accordingly, as to ordinary course options granted, the expected term was determined using the simplified method, which takes into consideration the option's contractual life and the vesting periods (for non-employees, the expected term is equal to the option's contractual life.

NOTE 12 - SHAREHOLDERS' EQUITY (continued):

The following table summarizes information concerning outstanding and exercisable awards as of December 31, 2021 and 2020:

December 31, 2021

Awards outstanding				Awards exercisable	
Exercise price	Number of awards outstanding at end of year	Weighted average remaining contractual life (years)		Number of award exercisable at end of year	Weighted average remaining contractual life (years)
$ 1.92	192,927	0.04		192,927	0.04
$ 2.21	1,769,513	7.89		1,288,236	7.89
$ 16.00	161,484	5.43		114,477	4.22
$ 23.19	21,000	9.78		-	-
$ 23.84	30,000	9.88		-	-
$ 30.93	20,000	8.81		20,000	8.81
$ 30.66	12,000	9.53		-	-
$ 40.21	17,319	9.19		3,137	9.19
$ 49.68	100,000	9.05		-	-

December 31, 2020

Awards outstanding				Awards exercisable	
Exercise price	Number of awards outstanding at end of year	Weighted average remaining contractual life (years)		Number of award exercisable at end of year	Weighted average remaining contractual life (years)
$ 0.01	186,815	0.33		186,815	0.33
$ 1.92	269,714	1.18		269,714	1.18
$ 2.21	2,191,349	6.22		1,188,914	6.22
$ 16.00	444,748	8.89		283,933	8.89
$ 18.00	260,000	3.86		260,000	3.86
$ 30.93	20,000	9.81		1,666	9.81

NOTE 12 - SHAREHOLDERS' EQUITY (continued):

2. Share-based compensation to employees, officers and directors

During 2021, the Company granted to certain employees, officers and directors awards to purchase 1,418,665 of the Company's ordinary shares for an average exercise price of $27.57. Most of the awards agreement term is 10 years unless the agreement is terminated, 4 years vesting period with a one-year cliff.

	Year ended December 31, 2021		Year ended December 31, 2020	
	Number of share-based payment awards	Weighted average exercise price	Number of share-based payment awards	Weighted average exercise price
Outstanding at beginning of year	2,381,125	$ 4.14	1,667,267	$ 2.21
Changes during the year:				
Granted	1,418,665	$ 27.57	730,734	13.53
Issued due to business combination	117,536	0.00	-	-
Exercised	(837,724)	3.11	-	-
Forfeited	(318,672)	19.69	-	-
Expired	-	-	-	-
Cancelled	-	-	(16,876)	2.21
Outstanding at end of year	2,760,930	$ 15.85	2,381,125	4.14
Exercisable at end of year	845,356	$ 3.58	1,061,778	2.80

The fair value of each granted award is estimated at the date of grant using the Black- Scholes option-pricing model. The assumptions used as of December 31, 2021 and 2020 are as follows:

	2021	2020
Dividend yield	0	0
Expected volatility	50.27%-51.84%	45.11%-55.97%
Risk-free interest rate	0.66%-1.61%	0.23%-1.61%
Contractual term (years)	10	10

NOTE 12 - SHAREHOLDERS' EQUITY (continued):

The expected volatility is based on the historical volatility of comparable companies. The risk-free interest rate assumption is based on observed interest rates appropriate for the expected term of the awards granted in dollar terms. The Company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term. Accordingly, as to ordinary course options granted, the expected term was determined using the simplified method, which takes into consideration the option's contractual life and the vesting periods. The following table summarizes information concerning outstanding and exercisable awards as of December 31, 2021 and 2020:

December 31, 2021				
Awards outstanding			Awards exercisable	
Exercise price	Number of awards outstanding at end of year	Weighted average remaining contractual life (years)	Number of awards exercisable at end of year	Weighted average remaining contractual life (years)
$0.00-0.01	120,757*)	-	73,679	-
$2.21	1,130,143	7.95	716,448	7.95
$16.00	88,500	7.48	35,791	6.09
$17.63-$64.61	1,421,530	9.68	19,438	8.98

*) Including 47,793 RSUs that were granted to the employees of Nanox AI at the completion of the merger and 3,221 RSUs that were issued in consideration for services.

December 31, 2020				
Awards outstanding			Awards exercisable	
Exercise price	Number of awards outstanding at end of year	Weighted average remaining contractual life (years)	Number of awards exercisable at end of year	Weighted average remaining contractual life (years)
$2.21	1,995,625	9.05	1,019,695	9.05
$16.00	205,000	9.62	37,917	9.62
$26.56-$59.20	180,500	9.93	4,167	9.93

3) Share-based compensation expenses

	Year Ended December 31,		
	2021	2020	2019
	(U.S. dollars in thousands)		
Cost of revenue	51	-	-
Research and development	3,248	3,384	661
Sales and Marketing (*)	2,442	9,252	617
General and administrative	13,065	12,145	14,967
	18,806	24,781	16,245

(*) On October 26, 2020, the Company entered into an amendment to a business development agreement ("the Agreement") dated February 4, 2020 with two service providers pursuant to which the Company paid an aggregate one-time payment of $400 thousand plus VAT and issued to them warrants to purchase an aggregate of 650,000 ordinary shares at an exercise price of $18 per share with a graded vesting ending 10 weeks following the grant date (subject to a standard cashless exercise provision). As a result, the Company recorded an expense of $6.1 million for the warrants granted. The service providers waived any and all past, present and future compensation to which they are or may be entitled pursuant to the Agreement and all activities undertaking on behalf of the Company, including the right to a percentage from future revenues from any of the Company's systems and the issuance of warrants.

NOTE 13 - INCOME TAX:

a. Basis of taxation

Current tax is calculated with reference to the profit of the Company and its subsidiaries in their respective countries of operation. Set out below are details in respect of the significant jurisdictions where the Company and its subsidiaries operate and the factors that influenced the current and deferred taxation in those jurisdictions:

Israel

The Company and Nanox AI Ltd are taxed under the laws of the State of Israel at a corporate tax rate of 23%.

In 2021, 2020 and 2019, the Company is at a loss position and therefore has no corporate tax liability. As of December 31, 2021, 2020 and 2019, the Company has a carry forward loss of approximately $56.3 million, $32.3 million and $2.3 million, respectively. Such carry forward loss has no expiration date.

In 2021, 2020 and 2019, Nanox AI Ltd. is at a loss position and therefore has no corporate tax liability. As of December 31, 2021, 2020 and 2019, Nanox AI Ltd. has a carry forward loss of approximately $61.9 million, $45.3 million and $17.6 million, respectively. Such carry forward loss has no expiration date.

United States

The principal federal tax rate applicable to the U.S. subsidiaries is 21%.

Korea

Nanox Korea is subject to a Corporate income tax with accordance with the Korean tax law. The tax rate ranges between 10% to 25%, depending on the companies' taxable income. In Addition, Nanox Korea is subject to a Local income tax of 10%. In 2021, Nanox Korea was at a loss position and therefore had no corporate tax liability. As of December 31, 2021 and 2020, Nanox Korea has a carry forward loss of approximately $7.1 million and $0.2 million, respectively. Such carry forward loss has 15 years expiration date.

Japan

Nanox Inc. is subject to national corporate income tax, and enterprise tax, which, in the aggregate resulted in effective tax rate of approximately 33.59%.

NOTE 13 - INCOME TAX (continued):

b. Income (loss) Before Income Taxes:

Income (loss) before income taxes consisted of the following for the periods indicated:

	Year Ended December 31		
	2021	**2020**	**2019**
	U.S. dollars in thousands		
Domestic (Israel)	(56,609)	(43,449)	(22,588)
Foreign	(5,237)	(366)	25
Loss before income taxes	**(61,846)**	**(43,815)**	**(22,563)**

c. Income tax expenses consisted of the following for the periods indicated:

	Year Ended December 31		
	2021	**2020**	**2019**
	U.S. dollars in thousands		
Domestic (Israel)	(57)	-	-
Foreign	9	-	-
Income tax expenses	**(48)**	-	-

d. Taxes on Income:

Taxes on income for the years ended December 31, 2021, 2020 and 2019 were comprised of the following:

	December 31		
	2021	**2020**	**2019**
	U.S. dollars in thousands		
Current:			
Domestic	-	—	—
Foreign	68	-	-
Total	68	-	-
Deferred:			
Domestic	(57)	—	—
Foreign	(59)	—	—
Total	(116)	—	—
Provision for income taxes	**(48)**	**-**	**-**

NOTE 13 - INCOME TAX (continued):

A reconciliation our theoretical income tax expense to actual income tax expense is as follows:

	December 31		
	2021	2020	2019
	U.S. dollars in thousands		
Loss before taxes on income	(61,846)	(43,815)	(22,563)
Statutory tax rate in Israel	23%	23%	23%
Theoretical tax benefit	(14,225)	(10,077)	(5,189)
Increase (decrease) in taxes resulting from:			
Effect of different tax rates applicable in foreign jurisdictions	(110)	-	-
Operating losses and other temporary differences for which valuation allowance was provided	6,174	7,235	701
Permanent differences	8,113	2,842	4,480
Actual tax benefit	(48)	-	-

e. Deferred tax assets

Nanox IL's deferred tax asset as of December 31, 2021 and December 31, 2020 was related to tax losses accumulated and carryforward. The reconciling item between the statutory tax rate of the Company and the effective tax rate is the change in valuation allowance in respect of tax benefits from carried forward tax losses due to uncertainty of the realization of such tax benefits.

The components of the Company's deferred tax assets and liabilities as of December 31, 2021 and 2020 were as follows:

	December 31	
	2021	2020
	U.S. dollars in thousands	
Deferred tax assets:		
Tax loss carryforwards	30,234	7,480
Research and development	4,010	1,213
Employee and payroll accrued expenses	304	96
Other	109	-
Total deferred tax assets	34,657	8,789
Less deferred tax liabilities	(21,775)	-
Deferred tax assets, net	12,882	8,789
Less valuation allowance for deferred tax assets	(12,882)	(8,789)
Deferred tax assets		—

NOTE 13 - INCOME TAX (continued):

Significant judgment is required in determining any valuation allowance recorded against deferred tax assets. In assessing the need for a valuation allowance, the Company considered all available evidence, including past operating results, the most recent projections for taxable income, and prudent and feasible tax planning strategies. The Company reassess its valuation allowance periodically and if future evidence allows for a partial or full release of the valuation allowance, a tax benefit will be recorded accordingly.

As of December 31, 2021, and 2020, the Company has recorded a full valuation allowance of $12,882 and $8,789 thousand with regard to its deferred taxes (which is mainly tax loss carryforwards temporary differences due to unallowed research and development expenses) generated in Israel, respectively.

	U.S. dollars in thousands
Valuation allowance, December 31, 2020	$ 8,789
Increase due to business combination	2,530
Increase	1,563
Valuation allowance, December 31, 2021	$ 12,882

NOTE 14 - SEGMENTS OF OPERATIONS

The Company reports segment information based on the "management" approach. The management approach designates the internal reporting used by management for making decisions and assessing performance as the source of the Company's reportable operating segments. The Company manages its business primarily on a service basis. The management approach designates the internal reporting used by management for making decisions and assessing performance as the source of the Company's reportable segments. The Company's reportable segments consist of the Nanox ARC, Radiology services division and AI solutions divisions. Each one is managed separately to better align with the Company's customers and distribution partners and the unique market dynamics of each segment. Operating income for each segment includes net sales to third parties, related cost of sales and operating expenses directly attributable to the segment. Operating loss for each segment excludes other income and expense and certain expenses managed outside the reportable segments. Costs excluded from segment operating income include various corporate expenses such as income taxes. The Company does not include intercompany transfers between segments for management reporting

The accounting policies of the various segments are the same as those described in Note 2, "Summary of Significant Accounting Policies." The Company evaluates the performance of its reportable operating segments based on net sales and operating loss.

	Year ended December 31, 2021			
	Nanox. ARC	**Radiology Services**	**AI Solutions**	**Total**
Revenues	$ -	$ 1,034	$ 270	$ 1,304
Segment operating loss	(56,875)	(530)	(4,153)	(61,558)
Financial income				288
Loss before taxes on income				(61,846)
Depreciation and amortization expenses	458	441	1,393	2,292
Stock based compensation	$ 18,433	$ 37	$ 336	$ 18,806

	Year ended December 31, 2020			
	Nanox. ARC	**Radiology Services**	**AI Solutions**	**Total**
Segment operating loss	(43,923)	-	-	(43,923)
Financial expense				108
Loss before taxes on income				(43,815)
Depreciation	208	-	-	208
Stock based compensation	$ 24,781	$ -	$ -	$ 24,781

NOTE 14 - SEGMENTS OF OPERATIONS (continued):

	Year ended December 31, 2019			
	Nanox. ARC	**Radiology Services**	**AI Solutions**	**Total**
Segment operating loss	(22,571)	-	-	(22,571)
Financial income				8
Loss before taxes on income				(22,563)
Depreciation	53	-	-	53
Stock based compensation	$ 16,245	$ -	$ -	$ 16,245

For the year ended December 31, 2021, the Company's revenues in the United States of America constitutes approximately 98% of the Company's total revenue. For the year ended December 31, 2021 no individual customer exceeded 10% of our total revenue or total accounts receivables.

Property and Equipment by Geography

	Year Ended December 31	
	2021	**2020**
Israel	3,381	2,065
South Korea	33,836	11,675
Unites States	22	-
Japan	196	280
	37,435	**14,020**

NOTE 15 - LOSS PER SHARE:

a. Basic

Basic loss per share is calculated by dividing the loss attributable to the Company's owners by the weighted average number of ordinary shares in issue.

	Year ended December 31,		
	2021	**2020**	**2019**
Net loss attributable to Company's owners	$ (61,798)	$ (43,815)	(22,563)
The weighted average of the number of ordinary shares (in thousands)	48,216	35,654	25,181
Basic and diluted loss per share	$ (1.28)	$ (1.23)	(0.90)

For the calculation of loss per share, the Company used the net loss attributable to Company's owners divided by the weighted average number of the Company's ordinary shares for the years ended December 31, 2021, 2020 and 2019.

b. Diluted

As of December 31, 2021, and 2020 the Company had 2,505,370 and 3,173,186 warrants, respectively and 4,842,342 and 4,673,104 options, respectively. As of December 31, 2019, the Company had 5,548,649 warrants and 3,654,464 options. These warrants and awards were not considered when calculating diluted loss per share since their effect is anti-dilutive. In addition, contingently issuable ordinary shares that are issuable based on certain conditions (see Note 3) are not included in the potential dilutive shares in calculating the diluted loss per share.

NOTE 16 - SUBSEQUENT EVENTS:

On January 19, 2022, the Company issued 89,286 additional shares to the former shareholders of Nanox AI due to partial achievement of a milestone that occurred post-closing. The fair value of the shares at the issuance date was $952.

In March 2022, the Company leased and addition space of 105 square meters in Neve Ilan for a period of 3 years.

On March 28, 2022, the Board of Directors of the Company nominated Mr. Erez Alroy as a member of the Board of the Company. Mr. Alroy replaces Mr. Fenig who retires from his membership at the Board of the Company.

On January 25, 2022, Magistrate Judge Peggy Kuo appointed Davian Holdings Limited as Lead Plaintiff in the McLaughlin v. Nano-X Imaging Ltd. et al, Case No. 1:21-cv-05517. On April 12, 2022 and in the same case, the Lead Plaintiff filed an amended complaint, which alleges that defendants violated the federal securities laws in connection with certain disclosures concerning the cost of the Nanox.Arc system as well as the comparison of the Nanox.Arc to CT scanners. Lead Plaintiff seeks to represent a class of investors who purchased the Company's publicly-traded securities between August 21, 2020 and November 17, 2021. The Company has not yet responded to the amended complaint and intends to defend these actions vigorously.

Exhibit 2.1

Description of Securities

As of December 31, 2021, NANO-X IMAGING LTD had one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"): our ordinary shares. References herein to "we," "us," "our" and the "Company" refer to NANO-X IMAGING LTX and not to any of its subsidiaries. The following description may not contain all of the information that is important to you, and we therefore refer you to our amended and restated articles of association (our "**Articles**"), a copy of which is filed with the Securities and Exchange Commission (the "**SEC**") as an exhibit to this annual report on Form 20-F.

Registration Number and Purposes of the Company

Our registration number with the Israeli Registrar of Companies is 515942076. Our purpose as set forth in our amended and restated articles of association is to engage in any lawful activity.

Share capital

Our authorized share capital consists of 100,000,000 ordinary shares, par value NIS 0.01 per share.

All of our outstanding ordinary shares are validly issued, fully paid and non-assessable. Our ordinary shares are not redeemable and do not have any preemptive rights.

Transfer of Shares

Our fully paid ordinary shares are issued in registered form and may be freely transferred under our Articles, unless the transfer is restricted or prohibited by another instrument, applicable law or the rules of a stock exchange on which the shares are listed for trade. The ownership or voting of our ordinary shares by non-residents of Israel is not restricted in any way by our Articles or the laws of the State of Israel, except for ownership by nationals of some countries that are, or have been, in a state of war with Israel.

Limitation of Liability

The liability of each shareholder for the Company's obligations is limited to the unpaid sum, if any, owing to the Company in consideration for the issuance of the shares held by such shareholder. If at any time the Company shall issue shares with no nominal value, the liability of the Shareholders shall be limited to the payment of the amount which the Shareholders should have paid the Company in respect of each share in accordance with the conditions of such issuance and was not paid to the Company.

Election of Directors

Our ordinary shares do not have cumulative voting rights for the election of directors. As a result, the holders of a majority of the voting power represented at a shareholders meeting have the power to elect our directors (except the External Directors (as defined in the Israel Companies Law, 5759-1999 (the "**Companies Law**")), to the extent elected).

Under our Articles, the number of directors on our board of directors must be no less than five and no more than ten (in each case including at least two External Directors, as defined in the Companies Law, to the extent appointed). Subject to the aforesaid, the number of directors shall be determined, from time to time, by a majority of the Directors then in office; provided that no determination in respect of a decrease in the number of directors shall shorten the term of any incumbent director.

The vote required to appoint a Director is a simple majority vote (other than the External Directors, to the extent elected). In addition, under our Articles, our board of directors may elect new directors to fill vacancies (whether such vacancy is due to a director no longer serving or due to the number of directors serving being less than the maximum required in our Articles), provided that the total number of directors shall not, at any time, exceed ten. Our Articles provide that the term of a director appointed by our board of directors to fill any vacancy will be for the remaining term of office of the director(s) whose office(s) have been vacated, or in case of a vacancy due to the number of Directors serving being less than the maximum number stated in the Articles, the Board shall determine at the time of appointment the class pursuant to the Articles to which the additional Director shall be assigned. Furthermore, under our Articles, our directors (other than the External Directors, to the extent elected), are divided into three classes with staggered three-year terms, in a way that at each Annual General Meeting the term of office of only one class of Directors will expire. Each class of directors consists, as nearly as possible, of 1/3 of the total number of directors constituting the entire board of directors (other than External Directors, to the extent elected).

Dividend and Liquidation Rights

We have never declared or paid any cash dividends on our ordinary shares and we anticipate that, for the foreseeable future, we will retain any future earnings to support operations and to finance the growth and development of our business. Therefore, we do not expect to pay cash dividends for at least the next several years.

We may declare a dividend to be paid to the holders of our ordinary shares in proportion to their respective shareholdings. The distribution of dividends may also be limited by the Companies Law, which permits the distribution of dividends only out of retained earnings or earnings derived over the two most recent fiscal years, whichever is higher, provided that there is no reasonable concern that payment of a dividend will prevent a company from satisfying its existing and foreseeable obligations as they become due. In the event that we do not have retained earnings or earnings generated over the two most recent years legally available for distribution, we must seek the approval of the court in order to distribute a dividend. The court may approve our request if it is convinced that there is no reasonable concern that the payment of a dividend will prevent us from satisfying our existing and foreseeable obligations as they become due. Our Articles provide that dividends will be paid at the discretion of, and upon resolution by, our board of directors, subject to the provisions of the Companies Law.

In the event of our liquidation, after satisfaction of liabilities to creditors and other payments due as per applicable law, our assets will be distributed to the holders of our ordinary shares in proportion to their shareholdings. This right, as well as the right to receive dividends, may be affected by the grant of preferential dividend or distribution rights to the holders of a class of shares with preferential rights that may be authorized in the future.

Exchange Controls

There are currently no Israeli currency control restrictions on remittances of dividends on our ordinary shares, proceeds from the sale of the shares or interest or other payments to non-residents of Israel, except for shareholders who are subject of certain countries that have been, or are considered to be, in a state of war with Israel.

Shareholder Meetings

Under Israeli law, we are required to hold an annual general meeting of our shareholders once every calendar year that must be held no later than 15 months after the date of the previous annual general meeting. All general meetings other than the annual meeting of shareholders are referred to in our amended and restated articles of association as special meetings. Our board of directors may call special meetings whenever it sees fit, at such time and place, within or outside of Israel, as it may determine. In addition, the Companies Law provides that our board of directors is required to convene a special general meeting upon the written request of (i) any two or more of our directors or one-quarter or more of the members of our board of directors or (ii) one or more shareholders holding, in the aggregate, either (a) 5% or more of our outstanding issued shares and 1% or more of our outstanding voting power or (b) 5% or more of our outstanding voting power.

Under Israeli law, one or more shareholders holding at least 1% of the voting rights at the general meeting may request that the board of directors include a matter in the agenda of a general meeting to be convened in the future, provided that it is appropriate to discuss such a matter at the general meeting. Our Articles contain procedural guidelines and disclosure items with respect to the submission of shareholder proposals for shareholder meetings.

Subject to the provisions of the Companies Law and the regulations promulgated thereunder, shareholders entitled to participate and vote at general meetings are the shareholders of record on a date to be decided by the board of directors, which may be between four and twenty one days prior to the meeting or between twenty right and forty days prior to the date of the meeting, depending on the type of meeting and whether written proxies are being used. Furthermore, the Companies Law requires that resolutions regarding, among other things, the following matters must be passed at a general meeting of our shareholders:

- amendments to our amended and restated articles of association;
- appointment or termination of our auditors;
- election of directors (unless otherwise determined in our Articles);
- approval of certain related party transactions;
- increases or reductions of our authorized share capital;
- a merger; and
- the exercise of our board of directors' powers by a general meeting, if our board of directors is unable to exercise its powers and the exercise of any of its powers is required for our proper management.

Under our Articles, we are required to give notice to our registered shareholders not less than 21 days prior to the meeting. The Companies Law requires that a notice of any annual general meeting or special general meeting be provided to shareholders at least 21 days prior to the meeting and if the agenda of the meeting includes the appointment or removal of directors, the approval of transactions with office holders or interested or related parties, or an approval of a merger, or as otherwise required under applicable law, notice must be provided at least 35 days prior to the meeting. Under the Companies Law, shareholders of a public company are not permitted to take action by written consent in lieu of a meeting. Under Companies Law, whenever we cannot convene or conduct a general meeting in the manner prescribed under the law or our articles of association, the court may, upon our, shareholders' or directors' request, order that we convene and conduct a general meeting in the manner the court deems appropriate.

Voting Rights

All of our ordinary shares have identical voting and other rights in all respects.

Quorum Requirements

Pursuant to our Articles, holders of our ordinary shares have one vote for each ordinary share held on all matters submitted to a vote before the shareholders at a general meeting. In any meeting of shareholders, we will follow the quorum requirements for general meetings as set forth in our Articles, instead of one-third of the issued share capital as required under the Nasdaq Marketplace Rules. Pursuant to our Articles, the quorum required for our general meetings of shareholders will consist of at least two shareholders present in person or by proxy (including by voting deed) and holding shares conferring in the aggregate at least 25% of the voting power of the Company. A meeting adjourned for lack of a quorum will generally be adjourned to the same day of the following week at the same time and place, or to such other day, time or place as indicated by our board of directors if so specified in the notice of the meeting. At the reconvened meeting, subject to a limited exception, any number of shareholders present in person or by proxy shall constitute a lawful quorum.

Vote Requirements

Our Articles provide that all resolutions of our shareholders require a simple majority vote, unless otherwise required by the Companies Law or by our Articles. Pursuant to our Articles, an amendment to our Articles regarding any change of the composition or election procedures of our directors and the removal of a director from office will require a special shareholders majority of at least two-thirds of the voting power represented at the meeting in person or by proxy and voting thereon. Under the Companies Law, among others, each of (i) the approval of an extraordinary transaction with a controlling shareholder and (ii) the terms of employment or other engagement of the controlling shareholder of the company or such controlling shareholder's relative (even if such terms are not extraordinary) requires special approval and certain transactions with respect to remuneration of our officers and directors, the approval and extension of a compensation policy and certain deviations therefrom require further approvals. Under our Articles, any change to the rights and privileges of the holders of any class of our shares requires a simple majority at a separate meeting of the class so affected (or such other percentage of the relevant class that may be set forth in the governing documents relevant to such class), in addition to the ordinary majority vote of all classes of shares voting together as a single class at a shareholder meeting. Another exception to the simple majority vote requirement is a resolution for an approval of a scheme of arrangement or reorganization, of the company pursuant to Section 350 of the Companies Law, that governs the settlement of debts and reorganization of a company, which requires the approval of holders of 75% of the voting rights represented at the meeting, in person, by proxy or by voting deed and voting on the resolution.

Access to Corporate Records

Under the Companies Law, shareholders generally have the right to review minutes of our general meetings, our shareholders register and material shareholders register, our amended and restated articles of association, our annual audited financial statements and any document that we are required by law to file publicly with the Israeli Registrar of Companies or the Israel Securities Authority. In addition, any shareholder who specifies the purpose of their request may request to be provided with any document related to an action or transaction requiring shareholder approval under the related party transaction provisions of the Companies Law. We may deny this request if we believe it has not been made in good faith or if such denial is necessary to protect our interests or protect a trade secret or patent.

Modification of Class Rights

Under the Companies Law and our Articles, the rights attached to any class of share, such as voting, liquidation and dividend rights, may be amended by adoption of a resolution by the holders of a majority of the shares of that class present at a separate class meeting, or otherwise in accordance with the rights attached to such class of shares, as set forth in our Articles, in addition to the ordinary majority vote of all classes of voting shares voting together as a single class.

Acquisitions under Israeli Law

Full Tender Offer. A person wishing to acquire shares of an Israeli public company and who would as a result hold over 90% of the target company's voting rights or issued and outstanding share capital is required by the Companies Law to make a tender offer to all of the company's shareholders for the purchase of all of the issued and outstanding shares of the company. A person wishing to acquire shares of a public Israeli company and who would as a result hold over 90% of the voting rights or issued and outstanding share capital of a certain class of shares is required to make a tender offer to all of the shareholders who hold shares of the relevant class for the purchase of all of the issued and outstanding shares of that class. If the shareholders who do not accept the offer hold less than 5% of the issued and outstanding share capital of the company or of the applicable class, and more than half of the shareholders who do not have a personal interest in the offer accept the offer, all of the shares that the acquirer offered to purchase will be transferred to the acquirer by operation of law. However, a tender offer will also be accepted if the shareholders who do not accept the offer hold less than 2% of the issued and outstanding share capital of the company or of the applicable class of shares. Upon a successful completion of such a full tender offer, any shareholder that was an offeree in such tender offer, whether such shareholder accepted the tender offer or not, may, within six months from the date of acceptance of the tender offer, petition an Israeli court to determine whether the tender offer was for less than fair value and that the fair value should be paid as determined by the court. However, under certain conditions, the offeror may include in the terms of the tender offer that an offeree who accepted the offer will not be entitled to petition the Israeli court as described above.

If the full tender offer was not accepted in accordance with the above alternatives, the acquirer may not acquire shares of the company that will increase its holdings to more than 90% of the company's issued and outstanding share capital or of the applicable class from shareholders who accepted the tender offer.

Special Tender Offer. The Companies Law provides that an acquisition of shares of an Israeli public company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a holder of 25% or more of the voting rights in the company. This requirement does not apply if there is already another holder of at least 25% of the voting rights in the company. Similarly, the Companies Law provides that an acquisition of shares in a public company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a holder of more than 45% of the voting rights in the company, if there is no other shareholder of the company who holds more than 45% of the voting rights in the company, subject to certain exceptions. A special tender offer must be extended to all shareholders of a company but the offeror is not required to purchase shares representing more than 5% of the voting power attached to the company's outstanding shares, regardless of how many shares are tendered by shareholders. A special tender offer may be consummated only if (i) at least 5% of the voting power attached to the company's outstanding shares will be acquired by the offeror and (ii) the number of shares tendered by shareholders who accept the offer exceeds the number of shares whose holders objected to the offer (excluding the purchaser and its controlling shareholders, holders of 25% or more of the voting rights in the company or any person having a personal interest in the acceptance of the tender offer or any other person acting on their behalf, including relatives and entities under such person's control). If a special tender offer is accepted, then the purchaser or any person or entity controlling it or under common control with the purchaser or such controlling person or entity may not make a subsequent tender offer for the purchase of shares of the target company and may not enter into a merger with the target company for a period of one year from the date of the offer, unless the purchaser or such person or entity undertook to effect such an offer or merger in the initial special tender offer. Shares purchased in contradiction to the tender offer rules under the Companies Law, will have no rights and will become dormant shares.

Merger. The Companies Law permits merger transactions if approved by each party's board of directors and, unless certain requirements described under the Companies Law are met, by a majority vote of each party's shares, and, in the case of the target company, a majority vote of each class of its shares voted on the proposed merger at a shareholders meeting. For purposes of the shareholder vote, unless a court rules otherwise, the merger will not be deemed approved if a majority of the votes of the shares represented at the shareholders meeting that are held by parties other than the other party to the merger, or by any person (or group of persons acting in concert) who holds (or hold, as the case may be) 25% or more of the voting rights or the right to appoint 25% or more of the directors of the other party, vote against the merger. If, however, the merger involves a merger with a company's own controlling shareholder or if the controlling shareholder has a personal interest in the merger, then the merger is instead subject to the same special majority approval that governs all extraordinary transactions with controlling shareholders. If the transaction would have been approved by the shareholders of a merging company but for the separate approval of each class or the exclusion of the votes of certain shareholders as provided above, a court may still approve the merger upon the request of holders of at least 25% of the voting rights of a company, if the court holds that the merger is fair and reasonable, taking into account the value to the parties to the merger and the consideration offered to the shareholders of the target company. Upon the request of a creditor of either party to the proposed merger, the court may delay or prevent the merger if it concludes that there exists a reasonable concern that, as a result of the merger, the surviving company will be unable to satisfy the obligations of the merging entities, and may further give instructions to secure the rights of creditors. In addition, a merger may not be consummated unless at least 50 days have passed from the date on which a proposal for approval of the merger was filed by each party with the Israeli Registrar of Companies and at least 30 days have passed from the date on which the merger was approved by the shareholders of each party. Israeli tax law treats some acquisitions, such as share for share exchanges between an Israeli company and a foreign company, less favorably than U.S. tax laws. For example, Israeli tax law may, under certain circumstances, subject a shareholder who exchanges his ordinary shares for shares in another corporation to taxation prior to the sale of the shares received in such share-for-share swap.

Anti-Takeover Measures under Israeli Law

The Companies Law allows us to create and issue shares having rights different from those attached to our ordinary shares, including shares providing certain preferred rights with respect to voting, distributions or other matters and shares having preemptive rights. No preferred shares are currently authorized under our Articles. In the future, if we do authorize, create and issue a specific class of preferred shares, such class of shares, depending on the specific rights that may be attached to it, may have the ability to frustrate or prevent a takeover or otherwise prevent our shareholders from realizing a potential premium over the market value of their ordinary shares. The authorization and designation of a class of preferred shares will require an amendment to our Articles, which requires the prior approval of the holders of a majority of the voting power attaching to our issued and outstanding shares represented at a general meeting. The convening of the meeting, the shareholders entitled to participate and the majority vote required to be obtained at such a meeting will be subject to the requirements set forth in the Companies Law and our Articles as described above under "—Voting Rights." In addition, we have a classified board structure, which will effectively limit the ability of any investor or potential investor or group of investors or potential investors to gain control of our board of directors, as disclosed under "Item 6. Directors, Senior Management and Employees—C. Board Practices."

Borrowing Powers

Pursuant to the Companies Law and our Articles, our board of directors may exercise all powers and take all actions that are not required under law or under our amended and restated articles of association to be exercised or taken by our shareholders, including the power to borrow money for company purposes.

Changes in Capital

Our Articles enable us to increase or reduce our share capital. Any such changes are subject to the provisions of the Companies Law and must be approved by a resolution duly adopted by our shareholders at a general meeting. In addition, transactions that have the effect of reducing capital, such as the declaration and payment of dividends in the absence of sufficient retained earnings or profits, require the approval of both our board of directors and an Israeli court.

Choice of Forum

Our Articles provide that the federal district courts of the United States of America will, to the fullest extent permitted by law, be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act (the "**Federal Forum Provision**"). While there can be no assurance that U.S. federal or state courts or Israeli courts will follow the holding of the Delaware Supreme Court which recently found that such provisions are facially valid under Delaware law or determine that the Federal Forum Provision should be enforced in a particular case, application of the Federal Forum Provision means that suits brought by our shareholders to enforce any duty or liability created by the Securities Act must be brought in federal court and cannot be brought in state court. The Federal Forum Provision does not apply to suits brought to enforce any duty or liability created by the Exchange Act. Section 27 of the Exchange Act creates exclusive federal jurisdiction over all claims brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. Accordingly, actions by our shareholders to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder also must be brought in federal court. Our shareholders will not be deemed to have waived our compliance with the federal securities laws and the regulations promulgated thereunder. Any person or entity purchasing or otherwise acquiring or holding any interest in any of our securities shall be deemed to have notice of and consented to the Federal Forum Provision. This provision may limit a shareholder's ability to bring a claim in a judicial forum of their choosing for disputes with us or our directors, officers or other employees, which may discourage lawsuits against us and our directors, officers and other employees.

Establishment

We were incorporated under the laws of the State of Israel on December 20, 2018. We are registered with the Israeli Registrar of Companies in Jerusalem.

Transfer Agent and Registrar

The transfer agent and registrar for our ordinary shares is Continental Stock Transfer & Trust Co.

Listing

Our ordinary shares are listed on The Nasdaq Global Market under the symbol ‘‘NNOX.’’

Exhibit 4.1

Execution Version

ASSET PURCHASE AGREEMENT

by and among

MDWEB, LLC (DOING BUSINESS AS MDW, LLC)

and

NANO-X IMAGING, INC.

and

NANO-X IMAGING LTD.

Dated as of October 21, 2021

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

TABLE OF CONTENTS
(continued)

SCHEDULES

EXHIBITS

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (this "Agreement") is made as of October 21, 2021, by and among MDWEB, LLC (doing business as MDW, LLC), a New York limited liability company (the "Company"), NANO-X IMAGING, INC. (the "Buyer") and Nano-X Imaging Ltd., a company organized under the laws of the State of Israel (the "Parent").

WHEREAS, the Company owns and desires to sell certain assets, and the Buyer desires to acquire all of the Assets, all on the terms and subject to the conditions set forth in this Agreement.

WHEREAS, the Buyer is a wholly-owned subsidiary of the Parent.

WHEREAS, the condition and inducement to the Buyer's willingness to enter into this Agreement, the individuals listed on Schedule 5.9 are, concurrently with the execution of this Agreement, executing and delivering Non-Competition Agreements in the form of Exhibit B (the "Non-Competition Agreements"), that will each become effective as of the Closing.

WHEREAS, for U.S. federal income Tax (as defined below) purposes, the parties intend that the consummation of the transactions contemplated hereby qualifies as a "reorganization" within the meaning of Section 368(a) of the Code (as defined below), and that this Agreement be, and is hereby, adopted as a plan of reorganization within the meaning of Section 368(a) of the Code.

NOW, THEREFORE, in consideration of these premises, the covenants set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. DEFINITIONS.

1.1. Certain Matters of Construction. For purposes of this Agreement, except as specified otherwise or the context otherwise requires, the words "hereof", "herein", "hereunder" and words of similar import will refer to this Agreement as a whole and not to any particular Section or provision of this Agreement, and reference to a particular Section of this Agreement will include all subsections thereof. The word "party" will refer to the Company, the Buyer or the Parent. The word "including" means including without limitation. The word "will" has the same meaning as the word "shall". Definitions will be equally applicable to both the singular and plural forms of the terms defined, and references to the masculine, feminine or neuter gender will include each other gender. All references in this Agreement to any Section, Exhibit or Schedule will, unless otherwise specified, be deemed to be a reference to a Section, Exhibit or Schedule of or to this Agreement, in each case as such may be amended in accordance herewith, all of which are made a part of this Agreement. All references in this Agreement to monetary amounts will, unless otherwise specified, be to United States dollars. Any Legal Requirement defined or referred to herein or in any agreement or instrument that is referred to herein shall include any modification, amendment or re-enactment thereof, and any Legal Requirement substituted therefore, in each case as of the time of inquiry, representation or covenant and all rules, regulations and statutory instruments issued or related to such Legal Requirement. Any reference to a Governmental Authority shall be deemed also to refer to any successor thereto unless the context requires otherwise. A reference to any agreement (including this Agreement) or Contract, is, unless otherwise specified, to the agreement or Contract as amended, modified, supplemented or replaced at the time of inquiry, representation or covenant. Although the same or similar subject matters may be addressed in different provisions of this Agreement, the parties intend that, except as reasonably apparent on the face of the Agreement or as expressly provided in this Agreement, each such provision will be read separately, be given independent significance and not be construed as limiting any other provision of this Agreement (whether or not more general or more specific in scope, substance or content). References to a Person are also to its successors and permitted assigns.

1.2. Certain Definitions. For purposes of this Agreement, the following terms will have the following meanings:

"Acquisition Transaction" means, other than the Contemplated Transactions, any Person's (other than Buyer's) offer, proposal or inquiry relating to, or any indication of interest in: (a) any merger, consolidation or other form of business combination with or involving the Company, (b) the sale, license, disposition or acquisition of all or any material portion of the business or assets of the Company, including the grant of any license to any Intellectual Property of the Company, other than non-exclusive licenses granted to customers of the Company in the ordinary course of business, (c) the issuance, grant, disposition or acquisition of any membership interests or other equity participations of the Company (other than the issuance of equity to employees of the Company), or (d) any other transaction that would be inconsistent with or that would reasonably be likely to have an adverse effect upon any of the Contemplated Transactions.

"Action" means any criminal, judicial, administrative or arbitral action, audit, charge, claim, complaint, demand, grievance, hearing, known inquiry or investigation, litigation, mediation, proceeding, citation, summons, subpoena or suit, whether civil, criminal, administrative, judicial or investigative, whether public or private, commenced, brought, conducted or heard by or before, or otherwise involving any Governmental Authority.

"Affiliate" means, as to any Person, any other Person controlling, controlled by or under common control with such Person. For the purposes of this definition, "controlling", "controlled" and "control" mean the possession, directly or indirectly, of the power to direct the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Agreement" is defined in the Preamble.

"Anti-bribery Laws" is defined in Section 3.8.2.

"Assets" is defined in Section 2.1.

"Assigned Contract" is defined in Section 3.10.

"Assumed Liabilities" is defined in in Section 2.3.

"Balance Sheet Time" means 11:59 p.m. New York time on the Business Day immediately preceding the Closing Date.

"Basis" means any past or present fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act or transaction that could form the basis for any specific consequence.

"Business" means the businesses conducted by the Company and its direct and indirect Subsidiaries as of the date hereof.

"Business Day" means any day that is not a Saturday, a Sunday or other day on which banks are required or authorized by Legal Requirement to be closed in New York, New York.

"Buyer" is defined in the Preamble.

"Buyer Failure to Close" is defined in Section 9.1.6.

"Buyer Fundamental Representations" means the representations and warranties set forth in Sections 4.1 (Organization), 4.2 (Authorization) and 4.6 (Brokers).

"Buyer Indemnified Parties" is defined in Section 8.2.1.

"Claim Dispute Notice" is defined in Section 8.4.4.

"Claim Notice" is defined in Section 8.4.1.

"Closing" is defined in Section 2.5.

"Closing Stock Consideration" is defined in Section 2.3.

"Closing Date" is defined in Section 2.5.

"Closing Statement" is defined in Section 2.7.2.

"Code" means the Internal Revenue Code of 1986, as amended, and the applicable Treasury regulations issued thereunder.

"Company" is defined in the Preamble.

"Company Authorizations" is defined in Section 3.8.6.

*"*Company Benefit Plans*"* means all Employee Benefit Plans maintained or contributed to by the Company or under which the Company has or is reasonably likely to have any obligations (other than obligations to make current wage or salary payments or sales commissions terminable on notice of 30 days or less) or liabilities, actual or contingent, in respect of, or which otherwise cover, any of the current or former officers, employees or independent contractors of the Company who provide services in respect of the Business or their dependents or beneficiaries.

"Company Failure to Close" is defined in Section 9.1.7.

"Company Fundamental Representations" means the representations and warranties set forth in Sections 3.1 (Power and Authorization), 3.2 (Organization), 3.4.2 (Assets), 3.7 (Taxes) and 3.13 (Brokers).

"Company Indemnified Parties" is defined in Section 8.3.

"Company Intellectual Property" shall mean the Intellectual Property owned by or licensed to the Company.

"Company's Knowledge" means the actual knowledge of Michael Averbach, and Sergey Fradkov, in each case after reasonable internal inquiry.

"Company Registered IP" is defined in Section 3.9.1.

"Contemplated Transactions" means the transactions contemplated by this Agreement and the Escrow Agreement that are anticipated to be consummated at the Closing.

"Continuing Business" means the business of the Company and its Subsidiaries existing immediately prior to the Closing, as such business is operated by the Continuing Business Company following the Closing Date.

"Continuing Business Company" means the Buyer, any successor to the Buyer, or any Person into which the Buyer may be merged, or which acquires all or substantially all of the assets or stock of the Buyer, carrying out the Continuing Business following the Closing.

"Contract" means any legally binding contract, agreement, lease, license, sublicense, option, understanding, covenant-not-to-sue, promise, undertaking or other binding arrangement, purchase order, instrument, note or other document or instrument, whether oral or written.

"Customer Deliverables" shall mean (A) the products that the Company or any of its Subsidiaries currently produces, markets, sells or licenses and (B) the services that the Company or any of its Subsidiaries currently provides.

"Disclosure Schedules" means the various disclosure schedules to this Agreement that are being delivered by on or behalf of the Company on the date hereof in connection with the representations and warranties in Section 3.

"Dispute Notice" is defined in Section 2.7.3.

"Dispute Submission Notice" is defined in Section 2.7.4.

"Disputed Item" is defined in Section 2.7.3.

"Earn Out" is defined in Section 2.3.

"Earn Out Amount" is defined in Section 2.8.2(a).

"Earn Out Dispute Notice" is defined in Section 2.8.4(a).

"Earn Out Dispute Submission Notice" is defined in Section 2.8.4(d).

"Earn Out Maximum Amount" is defined in Section 2.3.

"Earn Out Payment Date" is defined in Section 2.8.2(c).

"Earn Out Period" means the First Earn Out Period, the Second Earn Out Period, and the Third Earn Out Period.

"Earn Out Statement" is defined in Section 2.8.1.

"Escrow Account" is defined in Section 2.6.1(b).

"Escrow Agreement" means an escrow agreement in substantially the form of Exhibit A, to be entered into on or prior to the Closing Date by the Buyer, the Company, the Parent, and the Escrow Agent.

"Escrow Amount" means Closing Stock Consideration valued at $225,000, and calculated based on the volume weighted average closing share price of Parent ordinary shares on the Nasdaq Stock Market over the 30 trading days prior to the Closing Date.

"Escrow Funds" means, as of any date of determination, the excess (if any) of the Escrow Amount (including accrued interest or earnings thereon) over the sum of all distributions and other payments to any Person from the Escrow Account paid pursuant to the terms of the Escrow Agreement on or prior to such date of determination.

"Escrow Termination Date" is defined in Section 8.1.

"Estimated Closing Statement" is defined in Section 2.7.1.

"Estimated Working Capital Amount" is defined in Section 2.7.5(b).

"Excluded Assets" is defined in Section 2.3.

"Excluded Liabilities" is defined in in Section 2.4.

"Expiration Date" is defined in Section 9.1.4.

"FDA" is defined in Section 3.15.1.

"FDA Application Integrity Policy" is defined in Section 3.15.2.

"Final Working Capital Amount" is defined in Section 2.7.5.

"Financial Controls" is defined in Section 3.5.2.

"Financial Statements" is defined in Section 3.5.1.

"First Earn Out Period" means the three (3) consecutive calendar months immediately following the Closing Date.

"GAAP" means United States generally accepted accounting principles, as in effect from time to time.

"Governmental Authority" means any national, supranational, foreign, provincial, federal, state, municipal or local government, including any political subdivision thereof, or governmental, regulatory or administrative authority, agency, body, branch, bureau, instrumentality or commission, and any department, court, tribunal or judicial body, agency or official of any of the foregoing.

"Government Contract" means any Contract, prime contract, subcontract, teaming agreement or arrangement, joint venture, basic ordering agreement, blanket purchase agreement, letter agreement, grant, cooperative agreement, purchase order, delivery order, task order, change order or other commitment or funding vehicle between the Company or any of its Subsidiaries and (a) any Governmental Authority, (b) any prime contractor to a Governmental Authority or (c) any subcontractor (of any tier) in connection with or with respect to any Contract described in clause (a) or (b), and any modification of any of the foregoing.

"Governmental Order" means any ruling, award, decision, injunction, judgment, determination, assessment, agreement, order, decree, writ or other requirement entered, issued or made by any Governmental Authority.

"Income Tax" means any Tax measured in whole or in part by income or gains (or similar Tax imposed in lieu thereof).

"Indebtedness" means with respect to any Person, and without duplication, all outstanding obligations of such Person on a consolidated basis (a) in respect of indebtedness for borrowed money (including all accrued interest thereon, and any prepayment, breakage or similar charges payable in connection with the discharge of such indebtedness), (b) evidenced by notes, debentures or similar instruments, (c) in respect of any earn out or other deferred purchase price for the acquisition by such Person of any business, property or other Person, but excluding any ordinary trade accounts payable or accruals incurred in the ordinary course of business which are captured in the accounts payable and/or accrued expenses of the Company, (d) in respect of letters of credit, solely to the extent drawn upon by third parties, (e) as lessee under leases that would be required to be recorded as capital leases in accordance with GAAP and (f) with respect to guarantees of obligations of the types described in clauses (a) through (e) above of any other Person.

"Indemnified Party" means with respect to any claim for indemnification pursuant to Section 8, each Buyer Indemnified Party or Company Indemnified Party asserting such claim (or on whose behalf such claim is asserted) under Section 8.2 or 8.3, as the case may be.

"Indemnifying Party" means, with respect to any claim for indemnification pursuant to Section 8, the party or parties against whom such claim has been asserted.

"Independent Referee" means Yoel Beniluz, PhD; provided that, if Yoel Beniluz, PhD is unable or unwilling to serve as Independent Referee, and the Buyer and the Company are unable to agree on another independent and nationally recognized firm with expertise in disputes of the type contemplated by Section 2.7 within fifteen (15) Business Days of receiving notice that Yoel Beniluz, PhD will not serve as Independent Referee, the Buyer and the Company shall each nominate such a firm, and the two firms so nominated shall nominate a third such firm, with such third firm to serve as the Independent Referee.

"Insurance Policies" is defined in Section 8.5.

"Insurance Proceeds" is defined in Section 8.5.

"Intellectual Property" means all: (A) granted patents, pending patent applications, and all related continuation, continuation-in-part, divisional, reissue and re-examinations thereof, utility models, statutory invention registrations and design patents; (B) trademarks, service marks, trade dress, Internet domain names, logos, trade names and corporate names and registrations and applications for registration thereof; (C) copyrights and registrations and applications for registration thereof; (D) computer software, data and documentation; (E) inventions, trade secrets and confidential business information, whether patentable or non-patentable and whether or not reduced to practice, know-how, manufacturing and product processes and techniques, research and development information, unpublished copyrightable works, financial, marketing and business data, pricing and cost information, business and marketing plans and customer and supplier lists and information; (F) other proprietary rights relating to any of the foregoing (including remedies against infringements thereof and rights of protection of interest therein under the laws of all jurisdictions); and (G) copies and tangible embodiments thereof.

"Interim Financial Statements" is defined in Section 3.5.1.

"Internal Systems" shall mean any hardware, software, data, equipment, technology or internal systems used by or on behalf of the Company or its Subsidiaries to produce the Customer Deliverables.

"Legal Requirement" means, with respect to any Person, any national, supranational, federal, state, provincial, municipal or local, statute, law, ordinance, code, rule, resolution, constitution, notice, administrative interpretation, regulation, Governmental Order , regulatory requirement, interpretation, stipulation, determination, or regulation issued, enacted, implemented or otherwise put into law by or under the authority of a Governmental Authority and applicable to such Person or any of its Affiliates or any of their respective properties, assets, officers, directors, general partners, members, managers, trustees, employees, consultants or agents (in connection with such officer's, director's, general partner's, member's, manager's, employee's, consultant's or agent's activities on behalf of such Person or any of its Affiliates).

"Liabilities" means any and all liabilities, Indebtedness, claims, commitments, deficiencies and obligations of any kind, whether accrued or fixed, absolute or contingent, matured or unmatured, determined or undeterminable, on- or off-balance sheet or required to be recorded on a balance sheet prepared in accordance with GAAP, including those arising under any Legal Requirement, Action or Government Order and those arising under any Contract.

"Liability Claim" means an indemnification claim by or on behalf of an Indemnified Party for Losses that it believes are or may be recoverable pursuant to Section 8, other than in respect of a Third-Party Claim.

"Lien" means any lien, pledge, hypothecation, charge, mortgage, security interest, encumbrance, claim, option, right of first refusal, preemptive right, community property interest, conditional or installment sale agreement, encumbrance, charges or other claims of third parties of any kind, or restriction of any nature (including any restriction on the voting of any security, any restriction on the transfer of any security or other asset, any restriction on the receipt of any income derived from any asset, any restriction on the use of any asset and any restriction on the possession, exercise or transfer of any other attribute of ownership of any asset).

"Losses" means the amount of any losses, damages, awards, fines, penalties, expenses or fees (including reasonable fees and expenses of counsel), costs (including costs of investigation, arbitration and court costs), deficiencies, claims, demands, Liabilities, judgments, or Taxes of any nature, whether or not involving any Action, including any costs of defending any Actions or enforcing a Buyer Indemnified Party's or Company Indemnified Party's rights under this Agreement.

"Material Adverse Effect" means any effect, change, event, development or circumstance that, considered together with all other effects, changes, events, developments or circumstances is materially adverse to the Business, Assets, Liabilities, financial condition or results of operations of the Company and its Subsidiaries, taken as a whole; provided, however, that any such change, effect, event, development or circumstance caused by or resulting from any of the following shall not be considered, and shall not be taken into account in determining the existence of, a "Material Adverse Effect": (i) the announcement, pendency or consummation of the Contemplated Transactions, including the impact of any of the foregoing on relationships with customers, suppliers, sales representatives, or employees, (ii) conditions affecting the global economy or the financial, credit, commodities or capital markets as a whole, or generally affecting the industries in which the Company conducts its business, (iii) any change in financial, banking, or securities markets (including any disruption thereof and any decline in the price of any security or any market index), (iv) any change in, adoption of, or change in the interpretation of any applicable Legal Requirement or GAAP, (v) any national or international political or social conditions, including the engagement or continuation by the United States in hostilities or the escalation thereof, whether or not pursuant to the declaration of a national emergency or war, or the occurrence or the escalation of any military or terrorist attack upon the United States, or any of its territories, possessions, or diplomatic or consular offices or upon any military installation, equipment or personnel of the United States, (vi) pandemics, epidemics, disease outbreaks, earthquakes, hurricanes, tornados, floods or other natural disasters or acts of God, (vii) the failure by the Company to meet any revenue or earnings projections, forecasts or predictions (provided, that clause (vii) shall not prevent a determination that any effect or change underlying such failure has resulted in a Material Adverse Effect, to the extent such change or effect is not otherwise excluded from this definition of Material Adverse Effect), (viii) any action taken by, or with the written consent of, the Buyer or any of its Affiliates with respect to the Contemplated Transactions or with respect to the Company or (ix) any matter of which Buyer is aware on the date hereof; except, in the case of the foregoing clauses (ii), (iii), (v) and (vi), to the extent such changes or effects would have a disproportionate effect on the Company compared to other Persons in the industries and geographic regions in which the Company conducts its business.

"Minor Claims" is defined in Section 8.2.2(a)

"Non-Competition Agreements" is defined in the Recitals.

"Open Source Materials" shall mean all software or other material that is distributed as "free software", "open source software" or under a similar licensing or distribution model, including without limitation the GNU General Public License (GPL), GNU Lesser General Public License (LGPL), Mozilla Public License (MPL), BSD Licenses, the Artistic License, the Netscape Public License, the Sun Community Source License (SCSL), the Sun Industry Standards License (SISL) and the Apache License.

"Organizational Documents" means, with respect to any Person (other than an individual), the certificate or articles of incorporation, organization or formation of such Person and any limited liability company, operating or partnership agreement, by-laws or similar documents or agreements relating to the legal organization of such Person.

"Parties" is defined in Section 1.1.

"Permits" means all permits, certificates, licenses, franchises, consents, approvals and authorizations from Governmental Authorities that are necessary to the conduct of the Company's business or operations as presently conducted.

"Permitted Liens" means (a) Liens for Taxes, not yet due and payable or the amount or validity of which is being contested in good faith, and for which adequate reserves have been established on the Financial Statements, (b) landlords', warehousepersons', mechanics', materialmens' or carriers' Liens to secure claims for labor, material or supplies and other similar Liens, (c) Liens incurred or deposits or pledges made in connection with, or to secure payment of, workers' compensation, unemployment insurance, old age pension programs mandated under applicable Legal Requirements or other social security regulations, (d) zoning, building, entitlement and other land use regulations or restrictions, (e) the interests of the lessors and sublessors of any leased properties, (f) easements, rights of way and other imperfections of title or encumbrances that do not materially interfere with the present use of the property related thereto, (g) restrictions on the ownership or transfer of securities arising under applicable Legal Requirements, (h) Liens disclosed on the Interim Financial Statements or in the notes thereto or securing liabilities reflected on the Interim Financial Statements, or (i) the lien on all of the Company's tangible and intangible personal property in favor of the SBA.

"Person" means any natural person or any corporation, partnership, limited liability company, other legal entity or Governmental Authority.

"Personal Information" is defined in Section 3.16.

"Post-Closing Reduction Amount" is defined in Section 2.7.5(a).

"Proprietary Information" means any information related to the Company, the Buyer or the Parent, including any information related to their respective business, organization, financial situation, operations, purchasing and sales activities, Intellectual Property, source codes, information relating to services, operating processes, procedures, price lists, customer lists, technology, designs, and specifications, or other proprietary information of the business of the Company, the Buyer or the Parent, this Agreement, the Contemplated Transactions, and the existence of this Agreement and the Contemplated Transactions.

"Purchase Price" is defined in Section 2.3.

"Records" means all files, documents, ledgers, papers, books and records and similar information (whether in paper, electronic or other tangible or intangible form) of the Company that are used or held for use by Company in, or necessary for the conduct of, the Business, including all technical information, operating and production records, service records, service protocols, documentation of service methodologies, quality control records, blueprints, drawings, technical plans, research and development notebooks and files, customer data, mailing lists, warranty information, product testing reports, manuals, engineering and scientific data, catalogs, advertising and other marketing materials, brochures, sales and promotional literature, standard forms of documents, business plans, budgets, price lists, customer lists and lists of suppliers.

"Reference Balance Sheet" is defined in Section 3.5.1.

"Reference Balance Sheet Date" is defined in Section 3.5.1.

"Representative" means, with respect to any Person, any director, partner, manager, officer, employee, or Controlling Person of such Person and any agent, consultant, legal, accounting, financial or other advisor or other representative authorized by such Person to represent or act on behalf of such Person.

"SBA" means The Small Business Administration, an Agency of the U.S. Government.

"Schedules Notice" is defined in Section 7.6.

"Second Earn Out Period" means the twelve (12) consecutive calendar months immediately following the Closing Date.

"Securities Act" means the Securities Act of 1933, as amended.

"Stock Consideration" means Closing Stock Consideration and Earn Out.

"Subsidiary" of any Person means another Person, of which at least a majority of the securities or stock having by their terms ordinary voting power to elect a majority of the board of directors, other Persons performing similar functions, or the right to appoint or elect a general partner, is owned or controlled directly or indirectly by such first Person.

"Tax" means (i) any United States federal, state or local, or any foreign, income, franchise, profits, gross receipts, license, ad valorem, net worth, value added, sales, use, real or personal property, payroll, withholding, employment, social security, excise, environmental, customs duties, stamp, registration, alternative and add-on minimum tax, special assessment or other governmental and quasi-governmental charges payable to any Taxing Authority and including all interest, penalties, additional taxes and additions to tax imposed with respect thereto., whether disputed or not, (ii) Liability for the payment of any amounts of the type described in clause (i) of this sentence as a result of being a member of an affiliated, consolidated, combined, unitary or aggregate group for any taxable period, (iii) Liability under any state abandonment or unclaimed property, escheat or similar Legal Requirement, and (iv) Liability for the payment of any amounts of the type described in clause (i), (ii) or (iii) of this sentence as a result of being a transferee of or successor to any person or as a result of any express or implied obligation to indemnify or pay any other person.

"Tax Returns" means returns, reports, forms and information statements required to be filed with a Taxing Authority reporting liability for Taxes, including any schedules or attachments thereto and including any amendment thereof.

"Taxing Authority" means any United States, federal, state, local or any foreign or other governmental agency responsible for the imposition, assessment or collection of any Tax.

"Third Earn Out Period" means the twenty four (24) consecutive calendar months immediately following the Closing Date.

"Third Party Claim" is defined in Section 8.6.1.

"Transaction Expenses" means all fees, costs and expenses incurred or otherwise payable by the Company in connection with the negotiation, documentation and consummation of the Contemplated Transactions, including such fees and expenses of counsel to the Company, counsel to the Company and any other professional fees and expenses, in each case to the extent incurred but unpaid as of the Closing (and excluding any fees, costs and expenses paid or payable by the Company).

"Transfer" is defined in Section 2.8.5.

"Transfer Taxes" means all transfer, documentary, sales, use, stamp, registration and other such Taxes, and any conveyance fees or recording charges, in each case incurred by Buyer, the Company or any Affiliate thereof in connection with the transactions contemplated by this Agreement.

"Unaudited Financial Statements" is defined in Section 3.5.1.

"Worker" means any current or former officer, director, employee (regular, temporary, part-time or otherwise), consultant, project worker, agent or individual independent contractor of the Company or any of its Subsidiaries.

"Working Capital" means the sum of all current Assets acquired, minus the sum of all current liabilities assumed.

2. The Transaction.

2.1. Purchase and Sale of the Assets. Upon the terms and subject to the satisfaction of the conditions contained in this Agreement, at the Closing the Company will sell, convey, assign, transfer and deliver to Buyer, and Buyer will purchase and acquire from the Company, free and clear of all liens and encumbrances whatsoever, other than Permitted Liens, all of the Company's right, title and interest in and to the assets listed on Schedule 2.1A (the "Assets"), and Buyer shall assume, by an undertaking in a form and substance reasonably satisfactory to the Buyer, as of the Closing Date, only those liabilities specifically listed on Schedule 2.1.B but only to the extent that such liabilities and obligations thereunder are required to be performed after the Closing Date and do not relate to any breach, default, or violation by the Company on or prior to the Closing Date ("Assumed Liabilities") in exchange for the consideration described in this Agreement. Buyer does not assume any liability of the Company other than those specifically listed on Schedule 2.1.B.

2.2. Excluded Assets. Anything in Section 2.1 to the contrary notwithstanding, there shall be excluded from the assets, properties, rights and business to be transferred to Buyer hereunder all of (a) the Company's bank accounts (but not the funds in the accounts), (b) the Company's corporate minute books and membership interests records, (c) books of account and other records of the Company which are required by law to be kept in the Company's possession, including but not limited to Tax Returns, (d) all assets and rights of the Company in and with respect to Company Benefit Plans, (e) all claims, causes of action, payment rights, audit rights, and all other rights relating to the Excluded Liabilities; (f) contracts or agreements not expressly included as Assigned Contracts; and (g) real estate (collectively, the "Excluded Assets").

2.3. Purchase Price. The sole consideration to be paid to the Company for the Assets will be (i) at the Closing such number of ordinary shares of the Parent to be issued upon Closing valued at $1,500,000, and calculated based on the volume weighted average closing share price of Parent ordinary shares on the Nasdaq Stock Market over the 30 trading days prior to the Closing (the "Closing Stock Consideration") plus (ii) up to such number of ordinary shares of the Parent valued at up to $1,500,000 (the "Earn Out Maximum Amount"), calculated based on the following: (A) one-half shall be calculated based on the volume weighted average closing share price of Parent ordinary shares on the Nasdaq Stock Market over the 30 trading days prior to the Closing and (ii) one-half shall be calculated based on the volume weighted average closing share price of Parent ordinary shares on the Nasdaq Stock Market over the 30 trading days prior to the relevant Earn Out milestone completion, in the form of an earn out (the "Earn Out") payable as described below (subsections (i) and (ii) are together referred to as the "Purchase Price").

(a) The Purchase Price shall be subject to adjustment in accordance with the terms of this Agreement, including in accordance with Section 2.7.

2.4. Excluded Liabilities. Except for the Assumed Liabilities and anything else in this Agreement to the contrary notwithstanding, the Company shall be responsible for (i) all liabilities and obligations arising out of goods or services provided by the Company and accruing prior to the Closing Date, (ii) resulting from any failure of timely payment or performance by the Company or any breach by the Company of the Assigned Contracts occurring prior to the Closing Date, (iii) all or any liabilities arising prior to the Closing Date, or (iv) not expressly assumed by Buyer under this Agreement, and Buyer shall not assume, or in any way be liable or responsible for, any liabilities or obligations of the Company except as specifically provided in Section 2.1 (the "Excluded Liabilities"). Without limiting the generality of the foregoing, Buyer shall not assume the following:

(a) any liability or obligation under contracts and other agreements to which the Company is a party or by or to which it or its assets, properties or rights are bound or subject other than the Assigned Contracts (subject to the limitation on assumption set forth in Section 2.1);

(b) any liability or obligation arising out of (i) any Taxes for which the Company is responsible or any Taxes arising in connection with the Business or the Assets (or ownership thereof) for any taxable period or portion thereof ending on or prior to the Closing Date, (ii) a breach of default by the Company prior to the Closing Date under any contract or agreement, any tortious or negligent conduct by the Company whether prior to, on or after the Closing Date, (iii) any liability or obligation of the Company to any of its employees, agents or contractors, including without limitation, any employee benefit, accrued salaries and related payroll expenses, commission, or bonus (whether or not accrued), severance, change of control payment, or other liability related to the termination of any employee prior to, on or after the Closing Date and any liability attributable to the Company's classification of a person as an exempt or non-exempt employee except to the extent such liability relates to employment of any such persons by the Buyer in the period of time after the Closing Date, or (iv) cancellations of, or returns on, sales made by the Company to the extent such cancellations or returns are not Assumed Liabilities;

(c) any liability or obligation of The Company with respect to any of the Company Employee Benefit Plans, in each case, including any liability or obligation with respect to such Employee Benefit Plan and any liability for any payments of any kind whatsoever under the Employee Retirement Income Security Act of 1974, as amended, or any comparable laws;

(d) any liability or obligation owed by the Company to any Affiliate of the Company; or

(e) any liability or obligation of the Company arising out of or in connection with the preparation of this Agreement and the consummation and performance of the Contemplated Transactions whether or not such transactions are consummated, including, but not limited to, (i) any Tax liability of the Company so arising or (ii) any liability to which the Company may become subject as a result of the fact that the transactions contemplated by this Agreement are being effected without compliance with the provisions of any bulk sales act or any similar statute as enacted in any jurisdiction.

The Company shall discharge and satisfy in full when due all liabilities and obligations not expressly assumed by Buyer pursuant to this Agreement.

2.5. The Closing. Subject to the terms and conditions hereof, the closing of the purchase and sale of the Assets pursuant to this Agreement (the "Closing") shall take place by electronic document transfer (*i.e.*, .pdf signature pages and fully executed documents exchanged via email) as promptly as practicable following, but in no event later than the third (3rd) Business Day following, the satisfaction or waiver of each of the conditions set forth in Sections 5 and 6 hereof (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions at Closing), or at such other time and place as the Buyer and the Company may agree in writing (the day on which the Closing takes place, the "Closing Date"). Subject to the provisions of Section 9.15, the failure of any party to consummate the Closing on the date and time determined pursuant to this Section 2.5 shall not result in the termination of this Agreement and shall not relieve such party of any obligation under this Agreement.

2.6. Closing Deliveries and Payments.

2.6.1. Buyer Closing Deliveries and Payments. At the Closing, the Buyer and the Parent shall deliver or cause to be delivered to the Company the following:

(a) the Closing Stock Consideration, *minus* the Escrow Amount;

(b) to the Escrow Agent, the Escrow Amount (the "Escrow Account");

(c) the Escrow Agreement, duly executed by the Buyer and the Parent, and the various certificates, agreements, instruments and documents required to be delivered by the Buyer and the Parent at or prior to the Closing referred to in Section 6; and

(d) all other agreements, documents, instruments or writings as may be required to be delivered by the Buyer, at or prior to the Closing pursuant to the terms of this Agreement, or as may reasonably be requested by the Company or its counsel.

2.6.2. Company Closing Deliveries. At the Closing, the Company shall deliver or cause to be delivered to the Buyer the following:

(a) a bill of sale duly executed by the Company for all the personal property included in the list of Assets, in form and substance reasonably satisfactory to the Buyer;

(b) an assignment for all of the Assets and Assumed Liabilities that are intangible personal property (i.e., contracts, intellectual property, etc.) being assigned by the Company to Buyer, executed by the Buyer;

(c) all consents, waivers or approvals required in order to effectuate the sale of the Assets, including but not limited to any key customer consents;

(d) list of the Company's customers, including names, email addresses, addresses and telephone numbers;

(e) the Escrow Agreement, duly executed by the Company, and any other agreements, documents, instruments or certificates required to be delivered by the Company at or prior to the Closing pursuant to Section 5; and

(f) all other agreements, documents, instruments or writings as may be required to be delivered by the Company, at or prior to the Closing pursuant to the terms of this Agreement, or as may reasonably be requested by Buyer or its counsel.

2.7. Purchase Price Adjustment.

2.7.1. Estimated Closing Statement. The Company will in good faith prepare and deliver, or cause to be prepared and delivered, to the Buyer not later than five (5) Business Days prior to the Closing Date a written statement (the "Estimated Closing Statement") setting forth in reasonable detail the Company's good faith estimate of Working Capital ("Estimated Working Capital"). The Estimated Closing Statement shall be accompanied by a certificate of the Company and the Chief Executive Officer of the Company certifying that the estimates therein have been calculated in accordance with this Agreement.

2.7.2. Closing Statement. As promptly as practicable, but in any event within ninety (90) days after the Closing Date, the Buyer will in good faith prepare or cause to be prepared, and will provide to the Company, a written statement (the "Closing Statement") setting forth in reasonable detail the Buyer's proposed determinations of Working Capital, as of the Balance Sheet Time. The Closing Statement will solely be based on facts and circumstances as they exist prior to Closing and disregard any financing or other arrangements entered into by the Buyer or any of its Affiliates in connection with the Contemplated Transactions.

2.7.3. Dispute Notice. The Closing Statement will be final, conclusive and binding on the parties unless the Company provides a written notice (a "Dispute Notice") to the Buyer no later than forty-five (45) days after delivery of the Closing Statement setting forth in reasonable detail any item(s) or amount(s) on the Closing Statement that are disputed by the Company (each, a "Disputed Item"). Any item or amount on the Closing Statement to which no dispute is raised in the Dispute Notice will be final, conclusive and binding on the parties. Without limiting the generality of the foregoing, a Dispute Notice may not be based on (i) developments occurring after the Closing Date unless the Closing Statement contains information related to developments occurring after the Closing Date, or (ii) items that are the subject of an asserted indemnification claim pursuant to Section 8. The Buyer shall provide the Company and its Representatives with access to, and the opportunity to make copies of, the work papers and other materials used or considered by the Buyer in the preparation of the Closing Statement, and reasonable access to personnel and Representatives of the Buyer who assisted or were consulted in the preparation of the Closing Statement; provided, that, in each case such provision and access shall be (i) for the purpose of reviewing the Closing Statement and to prepare any Dispute Notice and (ii) during normal business hours and in a manner that does not interfere with the normal business operations of the Buyer or the Company.

2.7.4. Resolution of Disputes. The Buyer and the Company will attempt to resolve the Disputed Items in good faith during the twenty (20) day period following delivery of the Dispute Notice and all such discussions will (unless otherwise agreed by the Buyer and the Company) be governed by Rule 408 of the Federal Rules of Evidence and any comparable applicable state rule. Disputed Items resolved in writing by the Company and the Buyer within the twenty (20) day period will be final, conclusive and binding on the parties. If the Buyer and the Company are unable to resolve all Disputed Items in the Dispute Notice within such twenty (20) day period, either the Buyer or the Company may provide written notice to the other (the "Dispute Submission Notice") that such party is submitting any remaining Disputed Items for resolution to the Independent Referee. The Buyer and the Company shall enter into a customary engagement letter with the Independent Referee. The Buyer and the Company will use their commercially reasonable efforts to cause the Independent Referee to render its decision as soon as practicable (but in any event within thirty (30) days) after the submission to the Independent Referee of their respective proposed final calculations of the Disputed Items (which the Buyer and the Company shall submit to the Independent Referee not later than ten (10) days following the giving of the Dispute Submission Notice). Each of the Buyer and the Company shall use reasonable best efforts to comply with all reasonable requests by the Independent Referee for access to their respective work papers, information, books, records and similar items, personnel and Representatives (provided, that such access and compliance is during normal business hours and does not interfere with the normal business operations of the Buyer or the Company). The Independent Referee will review such final calculations of the Disputed Items and render a final determination of all Disputed Items in accordance with this Section 2.7, provided that the Independent Referee's final determination with respect to each Disputed Item shall be within the range of the proposed final calculations of such Disputed Item as presented in the Buyer's Closing Statement pursuant to Section 2.7.2 and the Dispute Notice pursuant to Section 2.7.3. The Buyer and the Company each shall be entitled to make a written submission to the Independent Referee (which need not be provided to the other party) in support of its respective proposed final calculations of the submitted Disputed Items, provided that such submissions shall be submitted within twenty (20) days after the submission to the Independent Referee of such proposed final calculations of the submitted Disputed Items. The Independent Referee's determination will be (a) in writing and shall include a reasonably detailed statement of the basis for the Independent Referee's decision, (b) furnished to each of the Buyer and the Company as soon as practicable (but in any event within thirty (30) days) after the Company's and the Buyer's respective final calculations of the Disputed Items have been submitted to the Independent Referee, (c) limited in scope to the Disputed Items and (d) final, conclusive and binding on the parties, and judgment on such decision may be entered in any court of competent jurisdiction. The fees and expenses of the Independent Referee shall be borne by (i) the Company, on the one hand, and (ii) the Buyer, on the other hand, based on the percentage that the portion of the contested amount not awarded to each party bears to the amount actually contested by the parties in aggregate, and such allocation of fees and expenses shall be calculated by the Independent Referee and such calculation shall be final and binding on the parties. By way of illustration, (x) if the Buyer's calculations would have resulted in a $100,000 net payment to the Buyer, and the Company's calculations would have resulted in a $100,000 net payment to the Company and the Independent Referee's final determination results in an aggregate net payment of $50,000 to the Company, then the Buyer and the Company shall pay 75% and 25%, respectively, of such fees and expenses and (y) if each of such parties' calculations differs from the Independent Referee's calculation by at least $100,000, the Buyer and the Company shall split such fees and expenses evenly. At any time the Buyer and the Company may agree to settle any objections raised in the Dispute Notice, including any Disputed Items submitted to the Independent Referee, which agreement shall be in writing and final, conclusive and binding upon all of the parties hereto with respect to the subject matter of any such objection so resolved; provided that, the parties shall promptly provide a copy of such agreement to the Independent Referee and instruct the Independent Referee not to resolve such Disputed Item, it being agreed that if the Independent Referee nonetheless resolves such Disputed Item for any reason, the agreement of the parties shall control.

2.7.5. Post-Closing Purchase Price Adjustment. As promptly as possible, but in any event no later than the fifth (5th) Business Day following the final determination, in accordance with Section 2.7.3 and/or Section 2.7.4, of Working Capital ("Final Working Capital Amount"), a Purchase Price adjustment shall be made as follows:

(a) if the Final Working Capital Amount is less than the Estimated Working Capital Amount, then the Purchase Price will be reduced by an amount equal to such shortfall (the "Post-Closing Reduction Amount"), and such Post-Closing Reduction Amount shall be released to the Buyer from the Escrow Account (i) in the form of Closing Stock Consideration valued in accordance with Section 2.3 hereof and (ii) in accordance with the terms of the Escrow Agreement and otherwise subject to Sections 8.2.1 and 8.10; or

(b) if the Final Working Capital Amount is greater than the Estimated Working Capital Amount, then the Purchase Price will be increased by an amount equal to such excess and the Buyer will transfer to the Escrow Agent additional Closing Stock Consideration equal to such excess amount valued in accordance with Section 2.3 hereof within five (5) Business Days after the determination of such excess amount, and such additional Closing Stock Consideration shall be held by the Escrow Agent in accordance with the terms of the Escrow Agreement and the applicable terms herein.

2.8. Earn Out. The Company shall be entitled to receive the Earn Out as additional consideration as set forth in this Section 2.8.

2.8.1. Earn Out Statement. Within forty-five (45) days following the end of each Earn Out Period, Buyer will prepare and deliver to the Company a statement (an "Earn Out Statement") setting forth whether applicable non-economic milestones have been met for that portion of the Earn Out Period.

2.8.2. Payments.

(a) If the Continuing Business achieves milestones for the relevant Earn Out Periods, as set forth in Schedule 2.8.2(a) and as reasonably and in good faith confirmed by Buyer in the relevant Earn Out Statement, Parent shall issue to the Company the amounts attached to the relevant milestone according to Schedule 2.8.2(a) (such calculated amounts are referred to as the "Earn Out Amount").

(b) The Parent shall issue the relevant portion(s) of the Earn Out Amount within 10 days after the Company confirms that the Company will not deliver an Earn Out Dispute Notice for the applicable Earn Out Period, if applicable, and if the Company disputes any element of an Earn Out Statement , pursuant to Section 2.8.4, then any payment shall be due on such date as the Buyer and the Company resolve the dispute under Section 2.8.4 (a date on which payment is due is referred to as a "Earn Out Payment Date").

2.8.3. Reserved.

2.8.4. Disputes.

(a) Company may dispute any element of an Earn Out Statement by delivering written notice to Buyer of said disagreement, setting forth in detail the particulars of such disagreement (a "Earn Out Dispute Notice"), within thirty (30) days after the receipt by Company of an Earn Out Statement. During such thirty (30) day period, Company and any accountant or agent of Company shall have full access during normal business hours (i) to the relevant books and records of, and the work papers prepared by, Buyer to the extent that they relate to an Earn Out Statement or any calculation provided therewith, and (ii) to such historical financial information (to the extent in Buyer's possession) relating to an Earn Out Statement or any calculation provided therewith as Company may reasonably request for the purpose of reviewing an Earn Out Statement or any calculation provided therewith.

(b) In the event that Company did not provide such a Earn Out Dispute Notice within such thirty (30) day period, Company shall be deemed to have accepted an Earn Out Statement and any calculation provided thereunder, which shall thereafter be final, binding, non-appealable and conclusive for all purposes hereunder.

(c) In the event a Earn Out Dispute Notice is timely provided, Buyer and Company shall use their reasonable efforts for a period of thirty (30) days (or such longer period as they shall mutually agree) from the date of receipt of such notice, to resolve such disagreements.

(d) If the Buyer and the Company are unable to resolve the matters disputed in the Earn Out Dispute Notice within such 30-day period, either the Buyer or the Company may provide written notice to the other (the "Earn Out Dispute Submission Notice") that such party is submitting any remaining matters disputed in the Earn Out Dispute Notice for resolution to the Independent Referee, subject to Section 2.8.4(e). The Buyer and the Company shall enter into a customary engagement letter with the Independent Referee. The Buyer and the Company will use their commercially reasonable efforts to cause the Independent Referee to render its decision as soon as practicable (but in any event within thirty (30) days) after the submission to the Independent Referee of their respective proposed determinations (which the Buyer and the Company shall submit to the Independent Referee not later than ten (10) days following the giving of the Earn Out Dispute Submission Notice). Each of the Buyer and the Company shall use reasonable best efforts to comply with all reasonable requests by the Independent Referee for access to their respective work papers, information, books, records and similar items, personnel and Representatives (provided that such access and compliance is during normal business hours and does not interfere with the normal business operations of the Buyer or the Company). The Independent Referee will review such matters disputed in the Earn Out Dispute Notice and render a final determination of the matters disputed in the Earn Out Dispute Notice in accordance with this Section 2.8. The Buyer and the Company each shall be entitled to make a written submission to the Independent Referee (which need not be provided to the other party) in support of its respective proposed final determinations of the matters disputed in the Earn Out Dispute Notice, provided that such submissions shall be submitted within twenty (20) days after the submission to the Independent Referee of such proposed final determinations of the matters disputed in the Earn Out Dispute Notice. The Independent Referee's determination will be (a) in writing and shall include a reasonably detailed statement of the basis for the Independent Referee's decision, (b) furnished to each of the Buyer and the Company as soon as practicable, and (c) final, conclusive and binding on the parties, and judgment on such decision may be entered in any court of competent jurisdiction. The fees and expenses of the Independent Referee shall be borne by (i) the Company, on the one hand, and (ii) the Buyer, on the other hand, based on the percentage that the portion of the contested amount not awarded to each party bears to the amount actually contested by the parties in aggregate, and such allocation of fees and expenses shall be calculated by the Independent Referee and such calculation shall be final and binding on the parties. By way of illustration, if the Buyer's calculations would have resulted in an Earn Out Amount equal to a dollar value of Five Hundred Thousand Dollars ($500,000) due to the Company and the Company's calculations would have resulted in an Earn Out Amount equal to a dollar value of Seven Hundred Thousand Dollars ($700,000) due to the Company and the Independent Referee's final determination results in an Earn Out Amount equal to a dollar value of Six Hundred Thousand Dollars ($600,000) due to the Company, then the Buyer shall pay fifty percent (50%) and the Company shall pay fifty percent (50%) of such fees and expenses. At any time the Buyer and the Company may agree to settle the dispute, which agreement shall be in writing and final, conclusive and binding upon all of the parties hereto with respect to the subject matter of any such objection so resolved; provided that, the parties shall promptly provide a copy of such agreement to the Independent Referee and instruct the Independent Referee not to resolve the dispute, it being agreed that if the Independent Referee nonetheless resolves the dispute for any reason, the agreement of the parties shall control.

(e) Notwithstanding any provision of this Agreement to the contrary, the Independent Referee shall not have the power to resolve any dispute relating to Section 2.8.5.

2.8.5. The rights of the Company to receive the Earn Out Amount (i) are solely contractual rights and are not securities for purposes of any federal or state securities Laws, and shall confer upon the Company only the rights of general unsecured creditors; (ii) do not constitute an investment or ownership interest in Buyer or the Parent; (iii) are an integral part of the consideration payable by the Buyer for the Assets; (iv) will not be represented by any form of certificate or instrument; (v) do not give the Company any dividend rights, voting rights, liquidation rights, preemptive rights or other rights as security holders of the Parent or the Buyer or any of their Affiliates; (vi) are not redeemable; (vii) do not bear interest; and (viii) may not be sold, assigned, pledged, gifted, conveyed or otherwise transferred (a "Transfer"), except by operation of law or pursuant to the laws of descent and distribution (with any Transfer in violation of this Section 2.8.5 being null and void). The Parties agree to treat the Earn Out Payment as consideration payable by the Buyer for the Assets for all tax purposes and consistent with Section 2.9 below, except as and to the extent required by applicable Legal Requirement.

2.9. Tax Treatment. For U.S. federal income Tax purposes, the parties acknowledge and agree that the consummation of the transactions contemplated hereunder are intended to qualify as a "reorganization" within the meaning of Section 368(a)(1)(C) of the Code, and the regulations promulgated thereunder, and that this Agreement will constitute a "plan of reorganization" for purposes of Sections 354 and 361 of the Code. The parties hereto covenant and agree to file all applicable Tax Returns consistent with this paragraph and not take any position on any such Tax Return inconsistent with this paragraph unless otherwise required by applicable Legal Requirements

3. Representations and Warranties of the Company.

Except as provided in the Disclosure Schedules (subject to Section 10.15), the Company represents and warrants to the Buyer as of the date hereof and the Closing Date (unless the particular statement speaks expressly as of a particular date, in which case it is true and correct only as of such date) as follows (in each case, except where context implies otherwise, with respect to the Company and its direct and indirect Subsidiaries):

3.1. Power and Authorization. The Company has the limited liability company power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The Company has taken all company actions or proceedings required to be taken by or on the part of the Company to authorize and permit the execution and delivery by the Company of this Agreement and the instruments required to be executed and delivered by it pursuant hereto, and the performance by the Company of its obligations hereunder and the consummation by the Company of the Contemplated Transactions. This Agreement has been duly executed and delivered by the Company, and assuming the due authorization, execution and delivery by each of the other parties hereto, constitutes the legal, valid and binding obligation of the Company, enforceable against it in accordance with its terms.

3.2. Organization. The Company is (a) duly organized, validly existing and in good standing under the laws of the State of New York, and (b) the Company has all requisite power and authority and all Permits necessary to own, lease and operate its properties and assets and to carry on its businesses as currently conducted and as proposed to be conducted. The Company is duly qualified or licensed to do business and is in good standing in each jurisdiction where the character of the properties owned, leased or licensed by it or the nature of its business makes such qualification, licensing or good standing necessary, except where the failure to be so qualified or licensed or in good standing has not had, and would not reasonably be expected to have, a Material Adverse Effect. The Company has made available to the Buyer true and correct copies of the Company's Organizational Documents. The Company is not in violation of any of the provisions of its Organizational Documents, and no changes thereto are pending.

3.3. No Violation or Approval; Consents. Except as set forth in Schedule 3.3, none of the execution and delivery of or its performance of its obligations under this Agreement by the Company or its consummation of the Contemplated Transactions, will:

3.3.1. require any consent, waiver, approval, clearance, permit, order or authorization of or from, or registration, declaration, notice or filing to or with any Governmental Authority with respect to the Company or any Company Subsidiary or pursuant to any Legal Requirement applicable to the Company;

3.3.2. require any consent of any third party to the sale by of the Assets or the assumption of the Assumed Liabilities;

3.3.3. (1) result in a breach of, constitute (with or without due notice or lapse of time or both) a default under, result in the acceleration of obligations under, create in any Person the right to accelerate, terminate, modify or cancel, or require any notice, consent or waiver under, any Contract, Permit, Lien (other than Permitted Liens) or other arrangement to which the Company or its Subsidiary is a party or by which the Company or its Subsidiary is bound or to which its assets are subject except in the case where such breach, default, or acceleration would not have a Material Adverse Effect, or (2) result in the imposition of any Lien (other than Permitted Liens); or

3.3.4. result in a breach or violation of, or default under, the Organizational Documents of the Company or any of its Subsidiaries.

3.4. Assets.

3.4.1. Sufficiency of Assets. The Assets constitute all of the assets, tangible and intangible, of any nature whatsoever, necessary to operate the technology and products and services of the Business in the manner presently operated by the Company.

3.4.2. Title and Related Matters. The Company is the legal owner of, and has good, marketable and transferable title to, and the absolute power and right to sell, assign, transfer and deliver, all of the Assets, free and clear of all Liens, except for Permitted Liens.

3.4.3. Condition of Assets to be Acquired. All of the Assets are in good operating condition and repair (ordinary wear and tear excepted) and are adequate for the uses to which they are being put, and none of such Assets are in need of maintenance or repairs except for ordinary, routine maintenance and repairs that are not material in nature or cost.

3.4.4. Accounts Receivable. All accounts receivable that are reflected on Company's Reference Balance Sheet or on the accounting records of Company as of the Closing Date represent or will represent valid obligations arising from sales actually made or services actually performed by the Company in the ordinary course of business. There is no contest, claim, defense or right of setoff, under any contract with any account debtor of an account receivable relating to the amount or validity of such account receivable. Schedule 3.4 contains an aged list of the accounts receivable, contract rights, and other rights to receive money of the Company as of August 31, 2021, showing separately those receivables that have been outstanding for (a) 29 days or less, (b) 30 to 59 days, (c) 60 to 89 days, (d) 90 to 119 days and (e) more than 119 days, and in each case showing the name of the account debtor, maker or obligor, the unpaid balance and the age of each receivable.

3.5. Financial Statements, Etc.

3.5.1. The Company has furnished the Buyer with copies of: (a) the unaudited consolidated balance sheet of the Company as of December 31, 2019 and December 31, 2020, and the related statements of income and cash flows of the Company for the fiscal year then ended (the "Unaudited Financial Statements") and (b) the unaudited balance sheet of the Company as of August 31, 2021 (respectively, the "Reference Balance Sheet" and the "Reference Balance Sheet Date") and the related statements of income and cash flows of the Company for the fiscal year then ended (the "Interim Financial Statements" and, collectively with the Unaudited Financial Statements, the "Financial Statements"). The Financial Statements present fairly in all material respects the financial position of the Company and the results of operations of the Company and any of its Subsidiaries (taken as whole) as of the respective dates thereof and for the periods covered thereby subject in the case of the Reference Balance Sheet to the absence of footnote disclosures and other presentation items. Except as disclosed in Schedule 3.5, neither the Company nor its Subsidiaries has any Liabilities (whether or not required to be reflected in the Financial Statements under GAAP), except for Liabilities that (v) are reflected in or reserved against in the Reference Balance Sheet, (w) have arisen or incurred after the date of the Reference Balance Sheet in the ordinary course of business (none of which results from, arises out of, relates to, is in the nature of, or was covered by any breach of contract, breach of warranty, tort, infringement, or violation of Legal Requirement) and are reflected in the calculation of the Estimated Working Capital Amount, (x) Liabilities arising pursuant to the terms of any Contract for which the Company or any of its Subsidiaries is a party that have not yet been performed (provided, neither the Company nor any of its Subsidiaries is in breach, violation, or non-compliance with such Contract), and (z) are included in Indebtedness or Transaction Expenses.

3.5.2. The Company has in place systems and processes (including the maintenance of proper books and records) that are designed to (1) provide reasonable assurances regarding the reliability of the Financial Statements and (2) in a timely manner accumulate and communicate to the Company's principal executive officer and principal financial officer the type of information that would be required to be disclosed in the Financial Statements (such systems and processes, the "Financial Controls"). None of the Company, its Subsidiaries, their respective officers nor the Company's independent auditors has identified or been made aware of any complaint, allegation, deficiency, assertion or claim, whether written or oral, regarding the Financial Controls or the Financial Statements that has not been resolved. There have been no instances of fraud or intentional misrepresentation by any Worker, whether or not material, that occurred during any period covered by the Financial Statements.

3.6. Ordinary Course of Business; No Material Adverse Effect. Since the Reference Balance Sheet Date: (a) the Company and its Subsidiaries have operated in the ordinary course of business; and (b) no Material Adverse Effect has occurred.

3.7. Taxes. Except in each case as set forth on Schedule 3.7:

3.7.1. The Company and any of its Subsidiaries have timely filed, or have caused to be timely filed on their behalf (after giving effect to extensions), all Tax Returns required to be filed by or with respect to the Company and each of its Subsidiaries. All such Tax Returns were true, correct and complete in all material respects. All Taxes required to be paid by or with respect to the Company or its Subsidiaries (whether or not shown as due and payable on any such Tax Return) have been paid in full.

3.7.2. All Taxes required to have been withheld and paid in connection with amounts paid by the Company or its Subsidiaries to any Worker, creditor, equityholder, or other third party have been withheld and paid to the appropriate Taxing Authority.

3.7.3. Neither the Company nor any of its Subsidiaries have been notified in writing by a Taxing Authority of any deficiency or other assessment, audit or examination concerning Taxes of the Company or any of its Subsidiaries that, if determined adversely to the Company or its Subsidiaries, would reasonably be expected to result in material Tax Liability.

3.7.4. There are no pending requests for rulings or determinations by or before a Taxing Authority relating to Taxes with respect to the Company or any of its Subsidiaries. No power of attorney has been executed by or on behalf of the Company or any of its Subsidiaries with respect to any matters relating to Taxes that is currently in force.

3.7.5. There has been no extension or waiver of any statute of limitations in respect of Taxes with respect to the Company or any of its Subsidiaries that remains in effect.

3.7.6. No claim or nexus inquiry has been made by a Taxing Authority in a jurisdiction where the Company or any of its Subsidiaries does not file Tax Returns that the Company or any of its Subsidiaries is or may be subject to taxation by that jurisdiction or that the Company or any of its Subsidiaries has a duty to collect Taxes.

3.7.7. None of the assets of the Company or any of its Subsidiaries are currently subject to any Liens with respect to Taxes, other than Permitted Liens.

3.7.8. Neither the Company nor any of its Subsidiaries is a party to or bound by any Tax sharing agreement, Tax indemnity, or tax-allocation agreement other than any such agreement not primarily related to Taxes.

3.7.9. Neither the Company nor any of its Subsidiaries has, or ever had, (during any taxable period remaining open for the assessment of Tax by any applicable Taxing Authority under its applicable statute of limitations), any place of business or permanent establishment in any jurisdiction outside the United States.

3.7.10. Neither the Company nor any of its Subsidiaries has obtained any consent or clearance from or entered into any settlement or arrangement with any Taxing Authority that would be binding on Buyer or result in a material Tax Liability for Buyer for any Tax period (or portion thereof) ending after the Closing Date.

3.7.11. The Company and its Subsidiaries have properly and timely documented its transfer pricing methodology in compliance with Sections 482 and 6662 of the Code and any similar or comparable provision of applicable Legal Requirement. Neither the Company nor any of its Subsidiaries is a party to any advance pricing agreement or any similar or comparable contract or agreement.

3.7.12. Neither the Company nor any of its Subsidiaries has ever participated in an international boycott within the meaning of Section 999 of the Code.

3.7.13. Schedule 3.7.13 contains a true and complete list of all jurisdictions (whether foreign or domestic) to which any Tax is properly payable by the Company and its Subsidiaries.

3.7.14 The Company has in effect a valid election under Treasury Regulation Section 301.7701-3 to be classified as an association taxable as a C corporation.

3.8. Operations in Conformity with Laws.

3.8.1. The Company and each of its Subsidiaries have complied in all material respects with, are not in material violation of, and have not received, nor to the Company's Knowledge is there any Basis for, any allegation or notice of material default or violation with respect to, any Legal Requirement or Permits with respect to the conduct of its business, or the ownership or operation of its business. No event has occurred, and no condition or circumstance exists, that might (with or without notice or lapse of time or both) constitute, or result directly or indirectly in, a default under, a material breach or violation of, or a failure to comply with, any Legal Requirement or Permits with respect to the conduct of the business of the Company or any of its Subsidiaries or the ownership or operation of the Company or any of its Subsidiaries. The Company and its Subsidiaries owns or possess all Permits that are necessary to conduct the business of the Company and its Subsidiaries as presently conducted and as proposed to be conducted.

3.8.2. None of the Company, any of its Subsidiaries or any of their respective Representatives, or distributors while retained by the Company or any other Person acting on behalf of any such Person have, with respect to the business of the Company or any of its Subsidiaries, (1) used any funds for unlawful contributions, gifts, entertainment or other unlawful payments relating to any political activity or (2) made any unlawful payment to any government official or employee or any political party or campaign or violated any provision of the U.S. Foreign Corrupt Practices Act of 1977 or any other Legal Requirement applicable to the conduct of business with Governmental Authorities (collectively, "Anti-bribery Laws"). The Company has made available to Buyer true, correct and complete copies of each Contract in effect, if any, as of the date of this Agreement between the Company or any of its Subsidiaries, on the one hand, and any sales agent or foreign representative thereof, on the other hand.

3.8.3. Except as set forth on Schedule 3.8.3, neither the Company nor any of its Subsidiaries has applied for or received, is or will be entitled to or is or will be the beneficiary of any grant, subsidy or financial assistance from any Governmental Authority.

3.8.4. The Company and each of its Subsidiaries have at all times conducted their business in accordance with (1) all applicable U.S. export control and economic sanctions laws, including the Export Administration Regulations, the Arms Export Control Act, the International Traffic in Arms Regulations, and the various statutes, regulations, and executive orders administered by the U.S. Department of the Treasury, Office of Foreign Assets Control; and (2) all other applicable import/export controls in other countries in which the Company conducts business.

3.8.5. Schedule 3.8.5 sets forth the true, complete and accurate export control classifications applicable to the Company's or any of its Subsidiaries' products, services, software and technologies.

3.8.6. Each Permit (i) under which the Company or any of its Subsidiaries currently operates or holds any interest in any of their assets, or (ii) that is required for the operation of the Company's or any of its Subsidiaries' businesses as presently conducted or the holding of any such interest (collectively, the "Company Authorizations") has been issued or granted to the Company or one of its Subsidiaries, as applicable. The Company Authorizations are in full force and effect and constitute all Company Authorizations required to permit the Company and each of its Subsidiaries to lawfully operate or conduct their businesses or hold any interest in their assets.

3.9. Intellectual Property.

3.9.1. Schedule 3.9.1 (i) sets forth each granted patent, pending patent application, copyright registration or application therefor, and trademark, service mark and domain name registration or application therefor owned by or purported to be owned by the Company or any of its Subsidiaries ("Company Registered IP") and any actions that must be taken within one hundred eighty (180) days after the date hereof for the purposes of obtaining, maintaining, perfecting, preserving or renewing any of the foregoing, including the payment of any registration, maintenance or renewal fees or the filing of documents, applications or certificates or any responses to office actions. The Company or any of its Subsidiaries is the owner of the Company Registered IP free and clear of all Liens (other than Permitted Liens). Each of the Company Registered IP is valid, enforceable and subsisting, all necessary registration, maintenance and renewal fees currently due in connection with such Company Registered IP have been made and all necessary documents, recordations and certificates in connection with such Company Registered IP have been filed with the relevant Governmental Authority. Schedule 3.9.1(i) sets forth an accurate and complete list of all material Intellectual Property owned or purported to be owned by the Company or any of its Subsidiaries that is not Company Registered IP. The Company or any of its Subsidiaries has not received any written notice challenging the legality, validity, enforceability or ownership of any Intellectual Property owned or purported to be owned by the Company or any of its Subsidiaries. The Company has not licensed any rights to or in U.S. Patent No. 10,803,985., other than to USARAD Holdings, Inc

3.9.2. The Company or its Subsidiaries exclusively and solely owns, free of any Liens other than non-exclusive licenses entered into in the ordinary course of business, or has the right to use all Intellectual Property necessary (i) to use, manufacture, sell, offer for sale, import, supply, perform, reproduce, display, market and distribute the Customer Deliverables and (ii) to use, make, perform, reproduce and operate the Internal Systems. The Company and its Subsidiaries have taken all reasonable measures to protect the proprietary nature of each item of Company Intellectual Property, and to maintain in confidence all trade secrets and confidential information, that it owns or uses. No other person or entity has any rights to any of the Company Intellectual Property owned by or purported to be owned by the Company or any of its Subsidiaries (except pursuant to agreements or licenses additionally specified in Schedule 3.9.2), and, to the Company's Knowledge, no other person or entity is infringing, violating or misappropriating any of the Company Intellectual Property.

3.9.3. Except as would not have a Material Adverse Effect, to the Company's Knowledge, the operation by the Company and its Subsidiaries of their business, including the design, development, use, import, export, manufacture, licensing, sale, offering for sale, supply or other disposition of the Customer Deliverables and/or the Internal Systems does not (i) infringe, violate or misappropriate the Intellectual Property rights of any Person, or (ii) constitute unfair competition or trade practices under applicable laws. Schedule 3.9.3 additionally lists any unresolved complaint, claim or notice, or written threat thereof, received by the Company or any of its Subsidiaries alleging any such infringement, violation or misappropriation; and the Company or any of its Subsidiaries have made available to Buyer complete and accurate copies of all written documentation in the possession of the Company or any of its Subsidiaries relating to any such unresolved complaint, claim, notice or threat. The Company and its Subsidiaries have made available to Buyer complete and accurate copies of all written documentation in the Company's possession relating to current, unresolved claims or disputes known to the Company or any of its Subsidiaries concerning any Company Intellectual Property. To the Company's Knowledge, no third party has threatened any Action or claim against the Company or any of its Subsidiaries for the infringement, violation or misappropriation of any Intellectual Property.

3.9.4. Except as described in Schedule 3.9.4, neither the Company nor any of its Subsidiaries has agreed to indemnify any person or entity against any infringement, violation or misappropriation of any Intellectual Property.

3.9.5. Schedule 3.9.5 identifies each item of Company Intellectual Property that is owned, in whole or in part, by a party other than the Company or one of its Subsidiaries, and the license or agreement pursuant to which the Company or any of its Subsidiaries uses it (excluding off-the-shelf software programs licensed by the Company or one of its Subsidiaries pursuant to "shrink wrap" or "click through" licenses).

3.9.6. Neither the Company nor any of its Subsidiaries has disclosed the source code for any software developed by it, or other confidential information constituting, embodied in or pertaining to such software, to any person or entity, except pursuant to the agreements listed in Schedule 3.9.6, and neither the Company nor its Subsidiaries have taken reasonable measures to prevent disclosure of such source code.

3.9.7. All of the Intellectual Property incorporated in or used in conjunction with the Customer Deliverables and/or the Internal Systems have been created by employees or agents of the Company and its Subsidiaries within the scope of their employment or engagement by the Company and its Subsidiaries or by independent contractors of the Company and its Subsidiaries. Each Worker has executed written, valid and enforceable agreements expressly assigning to the Company or its Subsidiaries all right, title and interest in and to any Intellectual Property conceived of, created, developed or first reduced to practice in the course of such Worker's employment by or engagement with the Company or one of its Subsidiaries. No portion of such Intellectual Property was jointly developed with any third party, except to the extent all right, title and interest in and to such Intellectual Property held by such third party as a result of such joint development has been assigned to the Company or its Subsidiaries. The Company and its Subsidiaries have paid, in full, all required compensation to employees, agents or independent contractors in relation to all Intellectual Property owned or purported to be owned by the Company and its Subsidiaries, and neither this Agreement nor any transactions contemplated by this Agreement will result in any further amounts being payable to any Worker.

3.9.8. Except as set forth in Schedule 3.9.8, neither the Company nor any of its Subsidiaries has (i) incorporated any Open Source Materials into, or combined Open Source Materials with, any Customer Deliverables and/or Internal Systems, (ii) distributed Open Source Materials in connection with any Customer Deliverables and/or Internal Systems, or (iii) used Open Source Materials in any manner that (A) creates, or purports to create, obligations for the Company or any of its Subsidiaries with respect to software developed or distributed by the Company or any of its Subsidiaries or (B) grants, or purports to grant, to any third party any rights or immunities under intellectual property rights. Without limiting the generality of the foregoing, neither the Company nor any of its Subsidiaries has used any Open Source Materials that require, as a condition of use, modification and/or distribution of such Open Source Materials, that other software incorporated into, derived from or distributed with such Open Source Materials be (1) disclosed or distributed in source code form, (2) licensed for the purpose of making derivative works, or (3) redistributable at no charge.

3.9.9. Neither the Company nor any of its Subsidiaries is subject to any agreement with any standards body or other similar entity that would obligate the Company or any of its Subsidiaries to grant licenses or rights to or otherwise impair its control, enforcement or use of any Intellectual Property owned or purported to be owned by the Company or any of its Subsidiaries.

3.9.10. There is no Order or other prohibition or restriction, issued by a Governmental Entity, on the use, practice or exploitation of any Customer Deliverables or the Internal Systems in any jurisdiction in which the Company or any of its Subsidiaries currently conducts, has conducted or currently contemplates conducting business.

3.9.11. No Governmental Entity, university, or other similar educational institution has provided or provides facilities or funding for the creation or development of any Intellectual Property owned or purported to be owned by the Company or any of its Subsidiaries. No Governmental Entity, university, or other similar educational institution have any rights in or with respect to any Intellectual Property owned or purported to be owned by the Company or any of its Subsidiaries.

3.9.12. The Company and its Subsidiaries have (1) complied in all material respects with its privacy policies and guidelines, related contractual obligations with customers and all Legal Requirements; and (2) taken all adequate and necessary measures to ensure that its data, including but not limited to personal information, is protected against loss, damage, and unauthorized access, use, modification, or other misuse. To the Company's Knowledge, there has been no (i) loss, damage, or unauthorized access, use, transmission, modification, or other misuse of any such information by the Company or any of its Subsidiaries or any of its employees, or any agents or third parties; or (ii) unauthorized access to any databases, computers, storage media (e.g., backup tapes), network devices, or other devices that process or store personal information, whether hosted or operated by the Company or any of its Subsidiaries or any other Person on the Company's or its Subsidiaries' behalf. To the Company's Knowledge, no Person (including any Governmental Authority) has made any claim or commenced any Action with respect to any alleged loss, damage, or unauthorized access, use, modification, or other misuse of any such personal information by the Company or its Subsidiaries or any employee.

3.9.13. Schedule 3.9.13 sets forth all Intellectual Property owned by the Company and its Subsidiaries that is issued or registered or subject to pending applications for issuance or registration in the name of the Company or any of its Subsidiaries. To the Company's Knowledge, the Intellectual Property set forth on Schedule 3.9.13 is valid, subsisting and enforceable.

3.10. Assigned Contracts.

3.10.1. Schedule 3.10.1 includes each contract included in the Assets and being assigned to and assumed by Buyer (the "Assigned Contracts"). The Company has made available to the Buyer an accurate and complete copy of each Assigned Contract. All Assigned Contracts are valid, binding against the Company or one of its Subsidiaries, as applicable, and in full force and effect. The Company and its Subsidiaries are not, and, to the Company's Knowledge, no other party is in material default under, or in material breach or violation of, any Assigned Contract, and (b) to the Company's Knowledge no event has occurred on or prior to the date hereof (with or without notice, lapse of time or both) would constitute a material default by the Company or any of its Subsidiaries under any Assigned Contract.

3.10.2. The Assigned Contracts include all customer contracts; contracts with consultants, contracts relating to the Company's technology, products and services, and IP.

3.10.3. No Assigned Contracts are Government Contracts.

3.11. Transactions with Affiliates. Except as set forth on Schedule 3.11, no Affiliate, officer, manager or director (or the equivalent) of the Company or any of its Subsidiaries (nor any immediate family member of such Persons or any trust, partnership or company in which any of such Persons has or has had an interest) has or has had, directly or indirectly, other than with respect to the payment of compensation to officers, managers and directors (or the equivalent) in the ordinary course of business, (a) any interest in any third party which furnished or sold, or furnishes or sells, services, products or technology that the Company or any of its Subsidiaries furnishes or sells, or proposes to furnish or sell, (b) any interest in any third party that purchases from or sells or furnishes to the Company or any of its Subsidiaries any goods or services or (c) any interest in any contract to which the Company or any of its Subsidiaries is a party, except that ownership of no more than one percent of the outstanding voting stock of a publicly traded company shall not be deemed to be an "interest in any third party" for purposes of this Section 3.11.

3.12. Litigation. Except as set forth on Schedule 3.12, there is no Action pending or, to the Company's Knowledge, threatened against the Company or any of its Subsidiaries, or any of their respective assets or property, including any Company Intellectual Property, or any of their respective officers, managers or directors in their capacities as such. No Governmental Order has been or is outstanding against the Company or any of its Subsidiaries, any of their respective assets or properties, or any of the Company's or its Subsidiaries' officers, managers or directors in their respective capacities as such. There is no Action pending or, to the Company's Knowledge, threatened, against any Person who has a contractual right or a right pursuant to the Organizational Documents, other Legal Requirement to indemnification from the Company related to any Basis existing prior to the Closing Date, nor is there any Basis therefor. There is no Action pending or, to the Company's Knowledge, threatened based on a claim of breach of fiduciary duty by the Company's directors or officers arising out of actions taken by the Company's managers, directors or officers prior to the Closing Date, nor is there any Basis therefor. There is no Action by the Company or any of its Subsidiaries pending, threatened or contemplated against any other Person.

3.13. Brokers. There are no brokerage commissions, finders' fees or similar compensation payable in connection with the Contemplated Transactions based on any arrangement or agreement made by or on behalf of the Company other than fees (if any) that will be paid by the Company and its Affiliates and for which the Buyer and (after the Closing) the Company will have no responsibility to pay.

3.14. Customers and Suppliers. Schedule 3.14 sets forth a list of the ten (10) largest customers of the Company (measured by aggregate revenue) and five (5) largest suppliers of the Company (measured by aggregate payments) for the twelve (12) month period ending on the Reference Balance Sheet Date. Since the Reference Balance Sheet Date, no customer or supplier listed on Schedule 3.14 has provided written notice that it intends to cease doing business with or materially decrease the amount of business done with the Company or materially alter the terms upon which it is willing to do business with the Company.

3.15. Regulatory Matters.

3.15.1. The Company has not classified the items that it produces, designs, tests, manufactures, fabricates, or develops for purposes of U.S. export controls (including hardware, software, technology). The Company does not produce, design, test, manufacture, fabricate, or develop any items that are controlled for export under the Export Administration Regulations, 15 CFR Parts 730-744. The Company does not produce, design, test, manufacture, fabricate, or develop any defense articles, technical data, or services subject to the International Traffic in Arms Regulations, 22 CFR Parts 120-130. The Company is not registered under the ITAR with the U.S. Department of State's Directorate of Defense Trade Controls. The Company does not have a facility clearance to do classified work for the U.S. Government. The Company does not maintain or collect any "sensitive personal data" as that term is used in 31 CFR § 800.248.

3.16. Data Privacy. In connection with its collection, storage, use and/or disclosure of any information that constitutes "personal information," "personal data" or "personally identifiable information" as defined in applicable laws (collectively "Personal Information") by or on behalf of the Company, the Company is and has been, to the Company's Knowledge, in compliance with (i) all applicable laws (including, without limitation, the Health Insurance Portability and Accountability Act of 1996, as amended, and laws relating to privacy, data security, telephone and text message communications, and marketing by email or other channels) in all relevant jurisdictions, and (ii) the Company's privacy policies, by which the Company is bound. The Company maintains and has maintained reasonable physical, technical, and administrative security measures and policies designed to protect all Personal Information owned, stored, used, maintained or controlled by or on behalf of the Company from and against unlawful, accidental or unauthorized access, destruction, loss, use, modification and/or disclosure. The Company is and has been, to the Company's Knowledge, in compliance in all material respects with all laws relating to data loss, theft and breach of security notification obligations.

3.17. Stock Consideration.

(a) The Stock Consideration to be acquired by the Company will be acquired for investment for the Company's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, and that the Company has no present intention of selling, granting any participation in, or otherwise distributing the same. Company does not presently have any contract, undertaking, agreement or arrangement with any Person to sell, transfer or grant participations to such Person or to any third Person, with respect to any of the Stock Consideration.

(b) The Company understands that the Stock Consideration is "restricted securities" under applicable U.S. federal and state securities laws and that, pursuant to these laws, the Company must hold the Stock Consideration for a period of six months until the Stock Consideration is freely tradeable pursuant to Rule 144 promulgated pursuant to the Securities Act.

The Company understands that the Stock Consideration has not been, and will not be, registered under the Securities Act, by reason of a specific exemption from the registration provisions of the Securities Act which depends upon, among other things, the bona fide nature of the investment intent and the accuracy of the Company's representations as expressed herein. The Company understands that the Stock Consideration is "restricted securities" under applicable U.S. federal and state securities laws and that, pursuant to these laws, the Company must hold the Stock Consideration for a period of six months until the Stock Consideration is freely tradeable pursuant to Rule 144 promulgated pursuant to the Securities Act. The Company acknowledges that the Company has no obligation to register the Stock Consideration for resale.

(c) The Company is an accredited investor as defined in Rule 501(a) of Regulation D promulgated under the Securities Act.

(d) The Company understands that the Stock Consideration may be notated with one or all of the following legends:

"THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH TRANSFER MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL IN A FORM SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933."

Plus, any legend required by the securities laws of any state to the extent such laws are applicable to the Stock Consideration represented by the certificate, instrument, or book entry so legended.

3.18. No Other Representations and Warranties. Except for the representations and warranties contained in this Section 3 (including the related portions of the Disclosure Schedules), neither Company nor any other Person has made or makes any other express or implied representation or warranty, either written or oral, on behalf of the Company, including any representation or warranty as to the accuracy or completeness of any information regarding the Business and the Assets furnished or made available to Buyer and its Representatives including management presentations or in any other form in expectation of the Contemplated Transactions or as to the future revenue, profitability or success of the Business, or any representation or warranty arising from statute or otherwise in law.

4. Representations and Warranties of the Buyer.

The Buyer and Parent each represent and warrant, severally, to the Company as of the date hereof and the Closing Date (unless the particular statement speaks expressly as of a particular date, in which case it is true and correct only as of such date) as follows (in each case, except where context implies otherwise, with respect to the Company and its Affiliates) as follows

4.1. Organization. The Buyer and Parent are each (a) a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and (b) duly qualified or licensed to do business and is in good standing in each jurisdiction where the character of the properties owned, leased or licensed by it or the nature of its business makes such qualification, licensing or good standing necessary, except where the failure to be so qualified or licensed or in good standing has not had, and would not reasonably be expected to materially impair or delay the Buyer's ability to consummate the Contemplated Transactions. The Buyer is a wholly-owned subsidiary of the Parent. Parent is classified as a corporation for United States tax purposes.

4.2. Authorization. Each of Buyer and the Parent has the corporate power and authority to execute and deliver this Agreement, the Escrow Agreement and the instruments required to be executed and delivered by it pursuant hereto, to perform its obligations hereunder, to issue the Stock Consideration, and to consummate the Contemplated Transactions. Each of the Buyer and the Parent has taken all corporate actions or proceedings required to be taken by or on the part of the Buyer and the Parent to authorize and permit the execution and delivery by the Buyer and the Parent of this Agreement, the Escrow Agreement and the instruments required to be executed and delivered by it pursuant hereto and the performance by each of the Buyer and the Parent of its respective obligations hereunder and the consummation by the Buyer and the Parent of the contemplated transactions, including issuance of the Stock Consideration. This Agreement has been (or in the case of the Escrow Agreement, will be) duly executed and delivered by each of the Buyer the Parent, and assuming the due authorization, execution and delivery by each of the other parties hereto or thereto, constitutes (or will constitute) the legal, valid and binding obligation of each of the Buyer and the Parent, enforceable against the Buyer and the Parent in accordance with its terms.

4.3. No Violation or Approval; Consents. Except as set forth in Schedule 3.3, neither the execution and delivery of or its performance of its obligations under this Agreement by the Buyer or the Parent nor either of its consummation of the Contemplated Transactions will:

4.3.1. require any consent, waiver, approval, clearance, permit, order or authorization of or from, or registration, declaration, notice or filing to or with any Governmental Authority with respect to the Buyer or the Parent;

4.3.2. not (1) except as set forth in Schedule 4.3.2, result in a breach of, constitute (with or without due notice or lapse of time or both) a default under, result in the acceleration of obligations under, create in any Person the right to accelerate, terminate, modify or cancel, or require any notice, consent or waiver under, any contract, lease, sublease, license, sublicense, franchise, permit, indenture, agreement or mortgage for borrowed money, instrument of indebtedness, Lien (other than Permitted Liens) or other arrangement to which the Buyer or the Parent is a party or by which the Buyer or the Parent is bound or to which its assets are subject, or (3) result in the imposition of any Lien (other than Permitted Liens); or

4.3.3. result in a material breach or violation of, or material default under, the Organizational Documents of the Buyer or the Parent.

4.4. Valid Issuance of Stock Consideration. The Stock Consideration, when issued and delivered in accordance with the terms and for the consideration set forth in this Agreement (including upon delivery to the Escrow Agent), will be validly issued and outstanding, fully paid and nonassessable and free of restrictions on transfer other than restrictions on transfer under this Agreement, applicable state and federal securities laws and liens or encumbrances created by or imposed by the Company. Assuming the accuracy of the representations of the Company in Section 4 of this Agreement, the Stock Consideration will be issued in compliance with all applicable federal and state securities laws.

4.5. Litigation. There is no Action pending or, to the knowledge of the Buyer and Parent, threatened against the Buyer, the Parent or any of their Affiliates or any of their properties, asserts or business, that would prevent Buyer from (a) executing and delivering this Agreement, or (b) performing Buyer's or Parent's obligations pursuant to, or observing any of the terms and provisions of, this Agreement.

4.6. Brokers. There are no brokerage commissions, finders' fees or similar compensation payable in connection with the Contemplated Transactions based on any arrangement or agreement made by or on behalf of the Buyer or any of its Affiliates other than fees (if any) that will be paid by the Buyer or its Affiliates and for which the Company and its Affiliates will have no responsibility to pay.

4.7 Intended Tax Treatment. Neither Parent, Buyer nor any of their respective Affiliates has taken or agreed to take any action, and there exists no fact or circumstance among Parent, Buyer, and their respective Affiliates that is reasonably likely to prevent or impede the consummation of the transactions contemplated hereby from qualifying as a "reorganization" within the meaning of Section 368(a)(1)(C) of the Code.

4.8 Buyer; Stock Consideration. Buyer is a direct, wholly-owned Subsidiary of Parent. The Closing Stock Consideration and the Earnout (if any) received by the Company consists and will consist solely of Parent's ordinary shares that entitle the holders to vote on Parent's board of directors.

4.9 Independent Investigation. Buyer and the Parent have conducted their own independent investigation, review and analysis of the Business and the Assets, and acknowledge that each has been provided adequate access to the personnel, properties, assets, premises, books and records, and other documents and data of the Company for such purpose. The Buyer and Parent each acknowledges and agrees that: (a) in making its decision to enter into this Agreement and to consummate the transactions contemplated hereby, each has relied solely upon its own investigation and the express representations and warranties of the Company set forth in Section 3 of this Agreement (including related portions of the Disclosure Schedules); and (b) neither Company nor any other Person has made any representation or warranty as to the Company, the Business, the Assets or this Agreement, except as expressly set forth in Section 3 of this Agreement (including the related portions of the Disclosure Schedules).

5. Conditions Precedent to the Obligations of the Buyer.

The obligation of the Buyer to consummate the Closing is subject to the satisfaction or waiver on or prior to the Closing Date of each of the following conditions:

5.1. Representations and Warranties. (i) The Company Fundamental Representations and the representations set forth in clause (b) of Section 3.6 shall be true and correct in all respects at and as of the date hereof and the Closing Date with the same effect as though made at and as of such date and (ii) the representations and warranties of the Company in this Agreement and any certificate or other writing delivered pursuant hereto other than the Company Fundamental Representations shall be true and correct at and as of the date hereof and the Closing Date with the same effect as though made at and as of such date, except, in the case of this clause (ii), where the failure to be true and correct would not reasonably be expected to have a Material Adverse Effect (without giving effect to "material," "in all material respects," "Material Adverse Effect" or similar phrases in the representations and warranties that limit the representations and warranties); provided, however, that, with respect to clauses (i) and (ii) above, representations and warranties that are made as of a particular date or period will be true and correct (in the manner set forth in clauses (i) or (ii), as applicable) only as of such date or period.

5.2. Performance of Obligations. The Company (including its Subsidiaries) will have complied with and performed in all material respects all covenants and agreements required by this Agreement to be complied with or performed by the Company (including its Subsidiaries), respectively, at or prior to the Closing.

5.3. Compliance Certificate. The Company will have delivered to the Buyer a certificate dated as of the Closing Date, executed by an officer of the Company, to the effect that each of the conditions specified above in Sections 5.1 and 5.2 has been satisfied.

5.4. Injunctions. No Governmental Authority will have enacted, issued or promulgated any Legal Requirement (whether temporary, preliminary or permanent) that remains in effect and that enjoins, makes illegal or otherwise prohibits the consummation of the Contemplated Transactions.

5.5. Escrow Agreement. The Buyer will have received a copy of the Escrow Agreement, duly executed and delivered by the Company and the Escrow Agent.

5.6. Personnel. Michael Averbach and Sergey Fradkov shall have executed employment agreements with the Buyer for a term of not less than one year post-Closing Date.

5.7. Secretary's Certificate. The Company will have delivered to the Buyer a certificate of the Secretary of the Company, dated as of the Closing Date, certifying as to and attaching (a) copies of resolutions duly adopted by the Board of Directors or Managers of the Company authorizing the execution, delivery and performance of this Agreement and the other agreements contemplated hereby, and the consummation of the Contemplated Transactions, including a certification that such resolutions shall not have been modified or rescinded as of the Closing Date, (b) the certificate of formation (or equivalent other governing document) of the Company and each of its Subsidiaries certified by the Secretary of State or similar Governmental Authority in its jurisdiction of organization, (c) the good standing of the Company and its Subsidiaries in their respective jurisdictions of organization, including copies of good standing certificates (or equivalent documents) issued within five (5) Business Days of the Closing Date by the Secretary of State or similar Governmental Authority in its jurisdiction of organization.

5.8. Consents. All actions, approvals, consents and waivers that are listed in Schedule 5.8 shall have been taken or obtained, as applicable, and evidence thereof shall have been delivered by the Company to the Buyer, in each case in a form and substance reasonably acceptable to the Buyer.

5.9. Non-competition Agreements. The Non-competition Agreements shall be in effect and not have been repudiated.

5.10. USARAD Stock Purchase Agreement. The Stock Purchase Agreement by and among the Buyer, the Parent, USARAD Holding., Inc. and the other parties named therein, dated as of October 2021, shall have closed.

5.11. Assets. The Assets shall be free from any Lien, other than Permitted Liens, and freely transferable other than Permitted Liens.

6. Conditions Precedent to Obligations of the Company.

The obligation of the Company to consummate the Closing is subject to the satisfaction or waiver on or prior to the Closing Date of each of the following conditions:

6.1. Representations and Warranties. (i) The Buyer Fundamental Representations shall be true and correct in all respects at and as of the date hereof and the Closing Date with the same effect as though made at and as of such date and (ii) the representations and warranties of the Buyer and the Parent in this Agreement and any certificate or other writing delivered pursuant hereto other than those set forth in clause (i) above shall be true and correct at and as of the date hereof and the Closing Date with the same effect as though made at and as of such date, except, in the case of this clause (ii), where the failure to be true and correct would not reasonably be expected to have a material adverse effect on the Buyer's ability to consummate the Closing (without giving effect to materiality, material adverse effect or similar phrases in the representations and warranties that limit such representations and warranties); provided, however, that, with respect to clauses (i) and (ii) above, representations and warranties that are made as of a particular date or period will be true and correct (in the manner set forth in clauses (i) or (ii), as applicable) only as of such date or period.

6.2. Performance of Obligations. The Buyer will have complied with and performed in all material respects all covenants and agreements required by this Agreement to be complied with or performed by the Buyer at or prior to the Closing.

6.3. Compliance Certificate. The Buyer will have delivered to the Company a certificate of the Buyer dated as of the Closing Date to the effect that each of the conditions specified above in Sections 6.1 and 6.2 has been satisfied.

6.4. Injunctions. No Governmental Authority will have enacted, issued or promulgated any Legal Requirement or Governmental Order (whether temporary, preliminary or permanent) that remains in effect and that enjoins, makes illegal or otherwise prohibits the consummation of the Contemplated Transactions.

6.5. Escrow Agreement. The Company will have received a copy of the Escrow Agreement, duly executed by the Buyer, the Parent and the Escrow Agent.

6.6 Secretary's Certificate of Buyer. The Buyer will have delivered to the Company a certificate of the Secretary of the Buyer, dated as of the Closing Date, certifying as to and attaching (a) copies of resolutions duly adopted by the Board of Directors or Managers of the Buyer authorizing the execution, delivery and performance of this Agreement and the other agreements contemplated hereby, and the consummation of the Contemplated Transactions, and including a certification that such resolutions shall not have been modified or rescinded as of the Closing Date, (b) the certificate of formation (or equivalent other governing document) of the Buyer and each of its Subsidiaries certified by the Secretary of State or similar Governmental Authority in its jurisdiction of organization, (c) the good standing of the Buyer in its jurisdiction of organization, including copies of the good standing certificate (or equivalent documents) issued within five (5) Business Days of the Closing Date by the Secretary of State or similar Governmental Authority in its jurisdiction of organization.

6.7 Secretary's Certificate of the Parent. The Parent will have delivered to the Company a certificate of the Secretary of the Parent, dated as of the Closing Date, certifying as to and attaching (a) copies of resolutions duly adopted by the Board of Directors or Managers of the Parent authorizing the execution, delivery and performance of this Agreement and the other agreements contemplated hereby, and the consummation of the Contemplated Transactions, including the issuance of the Stock Consideration, and including a certification that such resolutions shall not have been modified or rescinded as of the Closing Date, (b) the certificate of formation (or equivalent other governing document) of the Parent certified by the Secretary of State or similar Governmental Authority in its jurisdiction of organization, (c) the good standing of the Parent in its jurisdiction of organization, including copies of the good standing certificate (or equivalent documents) issued within five (5) Business Days of the Closing Date by the Secretary of State or similar Governmental Authority in its jurisdiction of organization.

7. Covenants of the Parties.

7.1. Conduct of Business Prior to Closing. From the date hereof until the Closing, the Company shall conduct its business in the ordinary course consistent with past practice. Without limiting the generality of the foregoing, from the date hereof until the Closing Date, and except as (i) expressly contemplated by this Agreement, (ii) required by Legal Requirement, or (iii) otherwise consented to in writing in advance by Buyer (which consent shall not be unreasonably withheld, conditioned or delayed),

7.1.1. the Company shall, and shall cause its Subsidiaries to:

(a) (A) pay all of its debts and Taxes when due, except to the extent such debts or Taxes are being contested in good faith by appropriate proceedings, and for which adequate reserves have been established, (B) pay or perform its other obligations when due, and (C) use commercially reasonable efforts consistent with past practice to (1) preserve intact its present business organization, (2) keep available the services of its present officers and key employees, and (3) preserve its relationships with customers, suppliers, licensors, licensees, and others having business dealings with it;

(b) notify Buyer of any change, occurrence or event not in the ordinary course of business of the Company, and of any change, occurrence or event which, individually or in the aggregate with any other changes, occurrences and events, could reasonably be expected to have a Material Adverse Effect or which is reasonably likely to cause any of the conditions in Article 5 and Article 6 not to be satisfied; and

7.1.2. the Company shall not, and shall not permit its Subsidiaries to:

(a) adopt or propose any change in the Organizational Documents;

(b) merge, combine or consolidate with any other Person or acquire any amount of assets of any other Person (except for acquisitions of supplies in the ordinary course of business consistent with past practices), subject to Section 7.3;

(c) settle, release, assign, or compromise any Action relating to an Asset, whether now pending or hereafter made or brought;

(d) commence any Action against any Person relating to an Asset other than in such cases where it in good faith determines that failure to commence an Action would result in the material impairment of a valuable aspect of the Asset, as long as the Company consults with Buyer before the filing of such Action;

(e) sell, assign, lease, license, transfer, abandon or otherwise dispose of, or mortgage, pledge or encumber any of the Assets, other than pursuant to non-exclusive licenses to Company Intellectual Property entered into in the ordinary course of business pursuant to the sale of Company products or services;

(f) (A) amend or modify in any material respect in a manner adverse to the Company or any of its Subsidiaries, or assign or consent to the termination of, any contract that is an Assumed Liability, or (B) except for a new contract with a customer or potential customer entered into in the ordinary course of business, enter into any new agreement which would be considered a material Contract if it had been entered into prior to the date of this Agreement;

(g) fail to maintain insurance in at least such amounts and against at least such risks and losses as are consistent in all material respects with the Company's current practices, reduce the amount or scope of any coverage provided by existing insurance policies, permit any existing insurance policy to lapse without being replaced by a commensurate insurance policy or reduce the amount or scope of indemnity bonds issued at the request or for the benefit of the Company;

(h) make or change any election in respect of Taxes, file any amendment to a Tax Return, enter into any closing agreement in respect of Taxes, settle any claim or assessment in respect of Taxes, or consent to any extension or waiver of the limitation period applicable to any claim or assessment in respect of Taxes;

(i) make any change in accounting practices or policies from those utilized in the preparation of the Financial Statements, make any change in its invoicing practices, write off, write down or make any determination to write off or write down any of its assets; or make any material change in its credit or allowance practices or policies; or

(j) agree or commit to do any of the foregoing. Notwithstanding the foregoing, the Company shall be permitted, after the date of this Agreement and prior to Closing, to (x) make all required payments on Indebtedness and (y) utilize unrestricted cash to pay obligations of the Company in the ordinary course of business prior to the Closing.

7.2. Confidentiality; Announcements.

7.2.1. The Confidentiality Agreement shall continue in full force and effect in accordance with its terms.

7.2.2. The parties hereto will not, and will cause their Representatives not to, issue or cause the publication of any press release or other public announcement or make any disclosure to any Person regarding (a) this Agreement, the Disclosure Schedule, the Contemplated Transactions, or any discussions, memoranda, letters or agreements related to this Agreement or thereto, including any announcement to customers, suppliers or other third parties having dealings with the Company, (b) the existence or terms of this Agreement or the Contemplated Transactions; (c) the existence of discussions and negotiations between or among Buyer, the Company, or any of the respective Representatives of Buyer or the Company; (d) the consummation of the Contemplated Transactions or (e) information about the business, properties, financial condition or operations of the other parties hereto, in the case of each of clauses (a)–(e) without prior approval of the other parties, except to the extent (x) disclosure is required by a party to its Tax, financial, legal or other professional advisors or, if applicable, spouse, subject to a duty of confidentiality, for purposes of complying with such Company's Tax obligations or other reporting obligations under Legal Requirements arising out of the Contemplated Transactions, or (y) disclosure is made by the Company to its legal counsel, subject to a duty of confidentiality.

7.2.3. After the Closing Date, the Company agrees and agrees to cause its Representatives to treat any and all Proprietary Information included in the Assets as confidential and not disclose or make it available to any Person unless it is or has been:

(a) obtained legally and freely from a third party without restriction as to the disclosure of such information;

(b) made public as required by applicable Legal Requirements; or

(c) within the public domain or later becomes part of the public domain as a result of acts by someone other than the Company or any Representative of the Company.

7.2.4. To the extent obliged to treat such Proprietary Information as confidential, the Company shall use the same degree of care as it uses with regard to its own proprietary information to prevent disclosure, use, or publication of the Proprietary Information.

7.2.5. In the event that the Company or any of their respective Representatives becomes legally compelled to disclose any such Proprietary Information other than as permitted by Section 7.2.3, the Company shall provide Buyer with prompt written notice of such requirement so that Buyer may seek a protective order or other remedy or waive compliance with Section 7.2.3, and in the event that such protective order or other remedy is not obtained, or Buyer waives compliance with Section 7.2.3, furnish only that portion of such Proprietary Information that is legally required to be provided and exercise its commercially reasonable efforts to obtain assurances that confidential treatment will be accorded such Proprietary Information.

7.3. No Solicitation.

7.3.1. From the date hereof until the earlier of the termination of this Agreement pursuant to its terms and the Closing Date, the Company will not directly or indirectly:

(a) solicit, initiate, knowingly encourage, facilitate or support any inquiry, proposal or offer with respect to, or the making, announcement, submission or completion of any Acquisition Transaction;

(b) participate or engage in any discussions or negotiations with, or furnish or disclose any non-public information relating to the Company, or otherwise cooperate with, facilitate or assist any Person in connection with an Acquisition Transaction;

(c) approve, endorse or recommend any Acquisition Transaction;

(d) enter into any letter of intent, agreement in principle, merger agreement, acquisition agreement, option agreement or other similar agreement relating to an Acquisition Transaction; or

(e) resolve, propose or agree to do any of the foregoing.

7.3.2. Upon execution of this Agreement, the Company will, and will cause its Representatives and Affiliates to, immediately cease and cause to be terminated any existing direct or indirect discussions with any Person (other than Buyer) that relate to or are in respect of an Acquisition Transaction.

7.3.3. From the date hereof until the earlier of the termination of this Agreement pursuant to its terms and the Closing Date, the Company will, and will cause its Representatives and Affiliates to, promptly (and in no event later than 48 hours after receipt thereof) notify Buyer orally and in writing of any proposal, offer, inquiry or notice concerning an Acquisition Transaction or that would reasonably be expected to lead to a proposal relating to any Acquisition Transaction, or any request for information from a Person in respect of an Acquisition Transaction or that would reasonably be expected to lead to a proposal relating to any Acquisition Transaction (including the identity of the Person making or submitting such proposal, offer or request, the material terms thereof and a copy of any written proposal, offer or request) that is received by the Company, or any representative thereof. The Company will keep Buyer informed on a reasonably current basis (and, in any event, within 48 hours) of the status and details of any material modifications to any such proposal, offer or request.

7.4. Preparation for Closing.

7.4.1. Subject to the terms and conditions hereof, each of the Company, the Buyer and the Parent agrees to use its reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary or desirable under applicable Legal Requirements to consummate the Contemplated Transactions as promptly as practicable, including preparing and filing as promptly as practicable with the applicable Governmental Authorities all documentation to effect all necessary filings, notices, petitions, statements, registrations, submissions of information, applications, approvals and other documents necessary to consummate the Contemplated Transactions.

7.4.2. Each of the Company, the Buyer and the Parent will cooperate with one another (a) in determining whether any actions, consents, approvals or waivers are required to be obtained from third parties, including with respect to any contracts that are an Assumed Liability, in connection with the consummation of the Contemplated Transactions and (b) in taking such actions, furnishing documents and information required in connection therewith and seeking to obtain in a timely manner any such actions, consents, approvals or waivers; provided, that (i) nothing in this Agreement will obligate or be construed to obligate the Company to make or cause to be made any payment or concession to any third party in order to obtain any such action, consent, approval or waiver under any Assigned Contract and (ii) the obtaining of any such action, consent, approval or waiver shall not be a condition to any party's obligation to consummate the Closing, except as provided in Section 5.8.

7.5. Tax Matters.

7.5.1. Transfer Taxes. The Buyer shall bear Liability for all Transfer Taxes in connection with the Contemplated Transactions, and shall file all necessary Tax Returns and other documentation with respect to such Transfer Taxes. If required by applicable Law, the Company will join in the execution of and/or file any such Tax Returns and other documentation.

7.5.2. Forms W-9 or W-8. In connection with the requirements under the Escrow Agreement, prior to Closing, the Company will provide to Buyer and the Escrow Agent completed and executed Internal Revenue Service Form W-9 or Form W-8, as applicable. Notwithstanding anything herein to the contrary, the failure of the Company to provide a completed W-9 or W-8, if applicable, shall entitle the Escrow Agent and Buyer to withhold any payments to be made to the Company until the completed W-9 or W-8 is provided.

7.6. Notification. From the date hereof until the Closing Date, the Company may disclose to the Buyer in writing (in the form of updated Disclosure Schedules) (the "Schedules Notice") any development, fact or circumstance, solely to the extent arising after the date hereof, causing a breach of any of the representations and warranties contained in Section 3 hereof. Such Schedules Notice shall amend and supplement the appropriate Disclosure Schedules delivered on the date hereof and attached hereto; provided that (A) if the condition set forth in Section 5.1 would not be satisfied if the Disclosure Schedule were not so amended and supplemented, then the Buyer will have the right to terminate this Agreement by providing written notice of such termination to the Company, and (B) no information or Schedules Notice provided under this Section 7.6 will, or will be deemed to, limit or modify or otherwise affect any representation or warranty contained herein.

7.7. Share Lock-Up and Sale Restrictions.

(a) The Company shall be subject to the minimum lock-up and resale restrictions, according to Nasdaq rules and regulations and applicable U.S. securities laws.

(b) The Company shall not use any non-public information of Buyer or the Parent which has been received in connection with this Agreement to purchase, sell, make any short sale of, loan, grant any option for the purchase of, or otherwise transfer, dispose of any securities of the Parent.

(c) The Buyer and the Parent shall undertake the actions required to (i) cause the Parent to comply with all reporting requirements of the Securities Exchange Act of 1934 and any other requirements in order for the Stock Consideration to become freely tradeable pursuant to Rule 144 promulgated pursuant to the Securities Act and (ii) cause the transfer agent of the Parent's stock to remove the restricted stock legend on the Stock Consideration so that the Stock Consideration becomes freely tradeable by the Company at such time as permitted under Rule 144. The Buyer and the Parent shall bear all the costs related to the requirements of this Section 7.7(c).

7.8. SBA Loan. Company agrees that within six months following the Closing, it (i) will replace the collateral on the lien in favor of the SBA (including through amendment or repayment in full of the relevant loan and security agreements), with collateral that is not an Asset or Assigned Contract and (ii) will ensure that the existing UCC-1 filed by the SBA with the State of New York showing the Company as Debtor is terminated or amended to remove as collateral all Assets or Assigned Contracts.

7.9. Further Assurances. Each of the Company, the Buyer and the Parent, upon the request of the other from time to time after the Closing, and at the expense of the requesting party but without further consideration, shall sign such documents and take such actions as may be necessary or otherwise reasonably requested to effect, or make more fully effective, the consummation of the Contemplated Transactions.

7.9 Dividends; Voting Rights. In respect of the portion of the Closing Stock Consideration consisting of the Escrow Amount (such portion, the "Escrowed Shares"), each of the Company, Buyer and Parent covenants and agrees that, at all times while the Escrowed Shares are held by the Escrow Agent (a) all dividends declared on the Escrowed Shares shall be distributed currently to the Company (or its designee(s)); and (b) all voting rights in respect of the Escrowed Shares shall be exercisable by or on behalf of the Company (or its designee(s)). Upon any Escrow Shares being returned to Parent in accordance with this Agreement and the Escrow Agreement, respectively, neither the Company nor any of its designees, shareholders, successors, or assigns shall have any further rights in respect of such Escrow Shares.

8. INDEMNIFICATION

8.1. Survival. Except as set forth in this Section 8.1, the representations and warranties of the parties contained in this Agreement or in the certificate delivered pursuant to Section 5.3 or Section 6.3, and the covenants and agreements of the parties hereto to the extent they, by their terms, contemplate or provide for performance prior to the Closing, shall survive the Closing until the date that is twelve (12) months after the Closing Date (the "Escrow Termination Date"), except that the Company Fundamental Representations and the Buyer Fundamental Representations shall survive the Closing until the sixth (6^{th}) anniversary of the Closing Date. The other covenants and agreements of the parties contained in this Agreement, or in any certificate or other writing delivered pursuant hereto or in connection herewith, shall survive the Closing in accordance with their terms. If an Indemnified Party delivers, before the expiration of the applicable survival period described in this Section 8.1, a Claim Notice to the Indemnifying Party asserting a Liability Claim for a breach of a representation or warranty or covenant or agreement made by or on behalf of the Indemnifying Party in or pursuant to this Agreement, then the representation, warranty or covenant will survive the expiration of the applicable survival period described in this Section 8.1 and remain in full force and effect with respect to such Liability Claim until the final resolution thereof. No Liability Claim may be made seeking indemnification for breaches of any representations, warranties, covenants or agreements pursuant to this Section 8 unless a Claim Notice in respect of such Liability Claim is provided to the applicable Indemnifying Party in accordance with this Section 8 prior to the expiration of the applicable survival period described in this Section 8.1.

8.2. Indemnity by the Company.

8.2.1. From and after the Closing, subject to the provisions of this Section 8, the Company shall indemnify the Buyer and each of its Affiliates and each of their respective Representatives, successors and assigns (collectively, the "Buyer Indemnified Parties") and hold them harmless from and against any and all Losses suffered or incurred by the Buyer Indemnified Parties to the extent arising from:

(a) any breach of any of the representations and warranties of the Company in Section 3 as of the date hereof or as of the Closing Date as if such representation and warranty were made on such date (unless the representation or warranty states that it is made only as of a specified date, in which case, as of the specified date);

(b) any breach, or any failure to perform, any covenant or agreement in this Agreement (or in any certificate or other writing delivered by or on behalf of the Company pursuant hereto) that is required by its terms to be complied with or performed by the Company or any of its Subsidiaries prior to or at the Closing;

(c) any amount by which the Post-Closing Reduction Amount exceeds the Escrow Amount, which shall be compensated in accordance with the terms of Section 2.7.5(a) hereof; or

(d) defending any Third-Party Claim alleging the occurrence of facts or circumstances that, if true, regardless of the outcome of such defense, would entitle a Buyer Indemnified Party to indemnification pursuant to the other provisions of this Section 8.1.

8.2.2. Limitations on Indemnification by Company.

(a) Except with respect to any claims for indemnification for breach of any Company Fundamental Representation or fraud, the Buyer Indemnified Parties will not be entitled to indemnification under Section 8.2.1(a) or Section 8.2.1(d) unless and until (i) with respect to any individual item of Loss, such item is greater than $50,000 or until the aggregate items of Loss are greater than $75,000 (any individual items of Loss that are less than or equal to $50,000 or aggregate items of Loss less than or equal to than $75,000 being "Minor Claims") and (ii) the item of Loss is in excess of the remaining Escrow Amount, provided, however, that the Buyer shall also be entitled to set off and holdback any Losses that are reasonably determined by the mutual agreement of the Buyer and the Company, with the agreement of MDW not to be unreasonably withheld or delayed, to be indemnifiable Losses from any Earn Out that Buyer would otherwise be obligated to pay under this Agreement.

(b) The maximum aggregate amount of indemnifiable Losses that may be recovered by the Buyer Indemnified Parties from the Company shall be equal to the Purchase Price, provided, however, that the Buyer shall also be entitled to set off and holdback any Losses that are reasonably determined by the mutual agreement of the Buyer and the Company, with the agreement of MDW not to be unreasonably withheld or delayed, to be indemnifiable Losses from any Earn Out that Buyer would otherwise be obligated to pay under this Agreement.

8.2.3. Notwithstanding anything to the contrary contained in this Agreement (including the foregoing limitations and Section 8.12), nothing in this Agreement will (a) prevent any Buyer Indemnified Party from bringing any Action based upon the fraud or willful misconduct of any Person, or (b) limit the Losses recoverable by a Buyer Indemnified Party for an Action based upon fraud.

8.3. Indemnity by the Buyer and the Parent. From and after the Closing, subject to the provisions of this Section 8, the Buyer and the Parent shall jointly and severally indemnify the Company and each of its Affiliates and each of their respective Representatives, successors and assigns (collectively, the "Company Indemnified Parties") and hold them harmless from and against any and all Losses suffered or incurred by the Company Indemnified Parties to the extent arising from:

(a) any breach of any of the representations and warranties of the Buyer or the Parent in Section 4 as of the date hereof or as of the Closing Date as if such representation and warranty were made on such date (unless the representation or warranty states that it is made only as of a specified date, in which case, as of the specified date);

(b) any breach, or any failure to perform, any covenant or agreement in this Agreement (or in any certificate or other writing delivered by or on behalf of the Buyer pursuant hereto) that is required by its terms to be complied with or performed by the Buyer or any of its Affiliates prior to or at the Closing;

(c) any amount owed by Buyer to the Company (i) pursuant to Section 2.7.5(b) and (ii) with respect to any Transfer Taxes for which the Buyer is responsible in accordance with Section 7.5.1.1; or

(d) defending any Third-Party Claim alleging the occurrence of facts or circumstances that, if true, regardless of the outcome of such defense, would entitle a Company Indemnified Party to indemnification pursuant to the other provisions of this Section 8.3.

8.4. Notification of Certain Claims.

8.4.1. If an Indemnified Party desires to make a Liability Claim, then the Buyer (if such Indemnified Party is a Buyer Indemnified Party) or the Company (if such Indemnified Party is a Company Indemnified Party), as the case may be, will deliver to the Company or Buyer, respectively, a notice (any such notice delivered in accordance with the provisions of this Section 8.4.1, a "Claim Notice"): (i) describing the Liability Claim in reasonable detail (based upon the information then possessed by the Buyer or the Company, as the case may be); and (ii) indicating the amount (estimated, if necessary and to the extent feasible) of the Loss that has been or may be paid, suffered, sustained or accrued by the Indemnified Party.

8.4.2. No delay or failure in providing such Claim Notice will affect an Indemnified Party's rights or remedies or an Indemnifying Party's obligations hereunder except to the extent that the Indemnifying Party is materially and adversely prejudiced thereby.

8.4.3. If the Escrow Funds are available to satisfy the recovery of the claim asserted in such Claim Notice and have not been fully released from the Escrow Account, at the time of delivery of any Claim Notice to the Company, a duplicate copy of such Claim Notice shall be delivered to the Escrow Agent by or on behalf of the Buyer (on behalf of itself or any other Buyer Indemnified Party).

8.4.4. If the Company or the Buyer, as the case may be, in good faith objects to any claim made in any Claim Notice, then the Company or the Buyer, as the case may be, shall deliver a written notice (a "Claim Dispute Notice") to the Buyer or the Company, as the case may be, during the 30-day period commencing upon receipt by the Company or Buyer, as the case may be, of the Claim Notice. The Claim Dispute Notice will set forth in reasonable detail the principal basis for the dispute of any claim made in the applicable Claim Notice. If the Company or the Buyer, as the case may be, does not deliver a Claim Dispute Notice hereunder prior to the expiration of such 30-day period, then such claim for indemnification set forth in such Claim Notice shall be deemed to have been conclusively determined in favor of the Indemnified Party that delivered the Claim Notice for purposes of this Section 8 on the terms set forth in the Claim Notice and the applicable Indemnified Party will be indemnified for the amount of Losses set forth in the Claim Notice pursuant to this Section 8.

8.4.5. If a Claim Dispute Notice is properly delivered hereunder, then the Buyer and the Company will attempt in good faith to resolve any such objections raised in such Claim Dispute Notice. If the Buyer and the Company agree to a resolution of such objection, then a memorandum setting forth the matters conclusively determined by Buyer and the Company will be prepared and signed by both parties.

8.4.6. If no such resolution can be reached during the 45-day period following receipt of a given Claim Dispute Notice hereunder, then upon the expiration of such 45-day period, either the Buyer or the Company may bring suit to resolve the objection in accordance with Section 10.9.

8.4.7. The Buyer is the sole and exclusive Person authorized to act for, bring Liability Claims on behalf of, or deliver a Dispute Notice on behalf of, the Buyer Indemnified Parties under this Agreement, and the Company is the sole and exclusive Person authorized to act for, bring Liability Claims on behalf of, or deliver a Claim Dispute Notice on behalf of, the Company Indemnified Parties under this Agreement.

8.5. Calculation of Losses. For purposes of determining the amount of any Losses subject to indemnification under this Section 8 (except for indemnification pursuant to Section 8.2.1(c) or Section 8.3(c)), the amount of such Losses will be determined net of (a) any amounts taken into account as liabilities or reserves in the calculation of the Final Working Capital Amount or any other adjustments to the Purchase Price set forth in Section 2.77, and (b) the sum of any amounts recovered under insurance policies providing coverage for such Losses (the "Insurance Policies"), net of any actual out-of-pocket expenses incurred in collecting such amounts ("Insurance Proceeds"). In the event that any Insurance Proceeds are received after payment for the related indemnification claim has been made pursuant to this Section 8, then the Indemnified Party shall pay to the Company or the Buyer, as the case may be, an amount equal to the amount of the reduction in Losses that would have been applied pursuant to the first sentence of this Section 8.5 had such Insurance Proceeds been received at the time such indemnification claim was made. Each Indemnified Party shall use commercially reasonable efforts to make claims under its applicable Insurance Policies. Notwithstanding anything herein to the contrary, no disputed matter that would result in a breach of a representation, warranty, covenant or agreement herein that is the subject of a Liability Claim made pursuant to this Section 8 shall be raised to support any adjustment to Purchase Price pursuant to the terms of Section 2.7 in a manner that would circumvent the monetary limitations set forth in this Section 8.

8.6. Matters Involving Third Parties.

8.6.1. If an Indemnified Party receives written notice of any Action that has been or may be brought or asserted by a third party against such Indemnified Party and that may give rise to a Liability Claim under this Section 8 (each, a "Third-Party Claim"), such Indemnified Party will, promptly after receipt of notice of any such Third-Party Claim, notify the Company of such Third-Party Claim where the Buyer Indemnified Party is the subject of the Third-Party Claim and notify the Buyer where a Company Indemnified Party is the subject of the Third-Party Claim, in each case by the delivery of a notice regarding the same, which shall be deemed a Claim Notice. The failure of an Indemnified Party to so notify the Indemnifying Party of the commencement of any such Third-Party Claim will not limit any party's rights or relieve any party from Liability in connection therewith, except to the extent that such failure materially and adversely affects the ability of the Indemnifying Party to defend its interests in such Third-Party Claim (to the extent such Indemnifying Party has such right under this Agreement).

8.6.2. In the event of any Third-Party Claim, the Indemnifying Party, upon written notice to the Indemnified Party, will have the right in its sole discretion to assume and control the defense of any such Third-Party Claim; provided that the Indemnified Party and its counsel (at the Indemnified Party's sole expense) may participate in (but not control the conduct of) the defense of such Claim unless such participation would adversely affect any privilege of the Indemnified Party in respect of such Third-Party Claim. The Indemnifying Party will have the right, in its sole discretion, to settle any Third-Party Claim, but no settlement of any such Third-Party Claim with third party claimants will be determinative of the amount of Losses relating to such matter unless the Indemnified Party consents to such settlement. In the event that the Indemnified Party has consented to any such settlement, the Indemnified Party will have no power or authority to object under any provision of this Section 8 to the amount of Losses with respect to such settlement.

8.6.3. If the Indemnifying Party does not elect to control the defense of a Third-Party Claim in accordance with Section 8.6.2, the Indemnified Party will assume control of the defense of the Third-Party Claim with counsel reasonably satisfactory to the Indemnifying Party. In such event, the Indemnifying Party will be given the opportunity to participate at its own cost in, but not direct or conduct, any defense of such Third-Party Claim, unless such participation would adversely affect any privilege of the Indemnified Party in respect of such Third-Party Claim. The Indemnified Party will not settle any such Third-Party Claim without the consent of the Indemnifying Party unless such settlement (i) provides solely for the payment of money in an amount that is less than the remaining Escrow Funds that are not subject to any other Liability Claim, (ii) provides for a full release of the Indemnifying Party involved in such Third-Party Claim and (iii) does not involve any admission by any Indemnifying Party of breach, violation or wrongdoing or involve any future covenants of an Indemnifying Party, other than covenants of confidentiality relating to the terms of such settlement.

8.6.4. If requested by the Buyer or the Company, as applicable, the other party will enter into a separate confidentiality or joint defense agreement prior to participating in the defense of any Third-Party Claim.

8.6.5. The party controlling the defense of a Third-Party Claim will (i) keep the non-controlling party reasonably advised of the status of such Third-Party Claim and the defense thereof and will consider in good faith recommendations made by the non-controlling party with respect thereto and (ii) make available to the non-controlling party any documents or materials in its possession or control that may be necessary to understand the defense of such claim (subject to confidentiality obligations and the protection of the attorney-client privilege). The non-controlling party will furnish the controlling party with such information as it may have with respect to such Third-Party Claim (including copies of any summons, complaints or other proceedings which may have been served on such party and any written claim, demand, invoice, billing or other document evidencing or asserting the same) and will otherwise reasonably cooperate with and assist the controlling party in the defense of such Third-Party Claim.

8.7. Materiality. For purposes of this Section 8, and the determination of whether any representation, warranty, covenant or agreement of a Person under this Agreement has been breached, and the calculation of any Losses suffered by the other Person on account of such breach hereunder, each such representation, warranty, covenant or agreement qualified by words or phrases such as "material," "in all material respects" or "Material Adverse Effect" or any similar term shall be read as if such qualification did not exist, except for Section 3.6.

8.8. Reserved.

8.9. Investigation. The right to indemnification or any other remedy based on representations, warranties, covenants and agreements in this Agreement, or any other document, certificate or other instrument required to be executed or delivered by any party under this Agreement will not be affected by any investigation conducted (or capable of being conducted) by any Buyer Indemnified Party, Company Indemnified Party or any other Person at any time, or any knowledge acquired (or capable of being acquired) by any Buyer Indemnified Party, Company Indemnified Party or any other Person 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 such representation, warranty, covenant or agreement, provided, however, that the foregoing provision in no way affects the determination as to whether a breach occurred giving rise to an indemnification claim hereunder. The waiver of any condition to Closing based upon the accuracy of any representation or warranty, or on the performance of or compliance with any covenant or agreement, will not affect the right to indemnification or other remedy based on such representations, warranties, covenants and agreements.

8.10. Escrow. Escrow Amount shall be held by the Escrow Agent in the Escrow Account until released in accordance with Section 2.7 and this Section 8 and the Escrow Agreement. From and after the Closing, the Escrow Amount will be available to compensate the Buyer Indemnified Parties for Losses in accordance with this Section 8 and the Escrow Agreement. The Escrow Agreement shall provide that following the Escrow Termination Date, the Escrow Agent shall release to the Company the remainder of the Escrow Funds, other than such portion of the Escrow Funds as may be reasonably necessary as determined by the mutual agreement of the Buyer and the Company, with the agreement of MDW not to be unreasonably withheld or delayed, to satisfy any unresolved or unsatisfied Liability Claims specified in any Claim Notice delivered by the Buyer to the Company before the Escrow Termination Date (which will remain in the Escrow Account, until such claims have been resolved or satisfied). In the event of a conflict between the Escrow Agreement and this Agreement, the terms of this Agreement shall govern. The fees, costs and expenses of the Escrow Agent shall be paid 100% by the Buyer.

8.11. Intentionally Omitted.

8.12. Acknowledgement by the Buyer.

THE REPRESENTATIONS AND WARRANTIES BY THE COMPANY SET FORTH IN SECTION 3 OF THIS AGREEMENT CONSTITUTE THE SOLE AND EXCLUSIVE REPRESENTATIONS AND WARRANTIES OF THE COMPANY TO THE BUYER IN CONNECTION WITH THIS AGREEMENT OR THE CONTEMPLATED TRANSACTIONS, WHETHER IN WRITING, ORALLY OR OTHERWISE, AND THE BUYER UNDERSTANDS, ACKNOWLEDGES AND AGREES THAT ALL OTHER REPRESENTATIONS AND WARRANTIES OF ANY KIND OR NATURE, EXPRESS OR IMPLIED (INCLUDING ANY RELATING TO THE FUTURE OR HISTORICAL FINANCIAL CONDITION, RESULTS OF OPERATIONS, ASSETS OR LIABILITIES OF THE COMPANY OR THE ACCURACY AND COMPLETENESS OF ANY INFORMATION SUPPLIED RELATING TO THE COMPANY), ARE SPECIFICALLY DISCLAIMED BY THE COMPANY AND ARE NOT BEING RELIED UPON BY THE BUYER OR ANY OF ITS REPRESENTATIVES OR AFFILIATES.

8.13. Manner of Payment. The Buyer Indemnified Party's right under this Agreement to recover Losses arising out of the matters set forth in Section 8.2.1, subject in each case to the limitations in this Section 8, will be from the following sources:

8.13.1. For Losses under Section 8.2.1(a), from the Escrow Funds, subject to Section 8.13.2;

8.13.2. For Losses under Section 8.2.1(a) arising from breaches of representations and warranties of the Company that constitute Company Fundamental Representations,

(a) first, from the Escrow Funds;

(b) second, from the Earn Out; and

(c) third, directly from the Company.

8.13.3. For Losses under Sections 8.2.1(b) – (d), inclusive, first from the Escrow Funds, and, to the extent such Losses exceed the difference of the Escrow Funds minus any amounts that are subject to Liability Claims submitted by Buyer, second from the earn Out, and third directly from the Company.

8.14. Payment Process. Any indemnification payment to be made by an Indemnifying Party pursuant to this Section 8 will be effected, as applicable, either by (i) release of stock by the Escrow Agent in accordance with the terms hereof and the Escrow Agreement or (ii) wire transfer of immediately available funds from the Indemnifying Party to the account designated by the Buyer or the Company (on behalf of the Buyer Indemnified Parties or the Company Indemnified Parties, respectively) within five (5) Business Days after such Losses have been determined by (a) a final, non-appealable order or judgment of a court of competent jurisdiction or (b) a written, executed agreement between the Buyer and the Company.

9. TERMINATION.

9.1. Termination. The parties may not terminate this Agreement other than as follows:

9.1.1. This Agreement may be terminated at any time prior to the Closing by mutual written consent of the Buyer and the Company.

9.1.2. The Buyer may terminate this Agreement by delivering written notice to the Company at any time prior to the Closing in the event (a) the Company is in material breach of any covenant, representation or warranty contained in this Agreement, (b) the Buyer has notified the Company of the breach in writing, (c) such breach would result in, or would be reasonably be expected to result in, the failure of any condition set forth in Section 5 and (d) such breach is incapable of cure or has continued without cure for a period of thirty (30) days after delivery of such notice of breach; provided, however, that the Buyer shall not have the right to terminate this Agreement pursuant to this Section 9.1.2 if the Buyer is then in material breach of this Agreement so as to cause any of the conditions set forth in Section 6 to not be satisfied.

9.1.3. The Company may terminate this Agreement by the Company delivering written notice to the Buyer at any time prior to the Closing in the event (a) the Buyer is in material breach of any covenant, representation or warranty contained in this Agreement, (b) the Company has notified the Buyer of the breach in writing, (c) such breach would result in, or would be reasonably be expected to result in, the failure of any condition set forth in Section 6 and (d) such breach is incapable of cure or has continued without cure for a period of thirty (30) days after delivery of such notice of breach; provided, however, that the Company shall not have the right to terminate this Agreement pursuant to this Section 9.1.3 if the Company is then in material breach of this Agreement so as to cause the conditions set forth in Section 5 to not be satisfied.

9.1.4. The Buyer, on the one hand, or the Company, on the other hand, may terminate this Agreement by providing written notice to the other at any time on or after December 1, 2021 (the "Expiration Date"), if the Closing shall not have occurred by the Expiration Date; provided, that neither party shall have the right to terminate this Agreement pursuant to this Section 9.1.4 if that party's breach of any provision of this Agreement has caused or resulted in the failure of the Closing to be consummated by the Expiration Date.

9.1.5. Either the Buyer, on the one hand, or the Company, on the other hand, may terminate this Agreement by delivering written notice to the other if any Governmental Authority issues a Governmental Order permanently enjoining, restraining or otherwise prohibiting the Contemplated Transactions and such Governmental Order shall have become final and non-appealable; provided, that the Person seeking to terminate pursuant to this Section 9.1.5 has not breached its obligations under Section 7.3 so as to cause the issuance of such Governmental Order.

9.1.6. The Company may terminate this Agreement, with no need to allow any additional cure period, by the Company delivering written notice to the Buyer at any time prior to the Closing in the event that the conditions set forth in Section 5 have been satisfied (other than those conditions that by their nature are to be satisfied at the Closing), the Company has confirmed that the Company is prepared to consummate the Closing and the Buyer fails to complete the Closing on the date the Closing should have occurred pursuant to Section 2.5 (a "Buyer Failure to Close").

9.1.7. The Buyer may terminate this Agreement, with no need to allow any additional cure period, by delivering written notice to the Company at any time prior to the Closing in the event that the conditions set forth in Section 6 have been satisfied (other than those conditions that by their nature are to be satisfied at the Closing), the Buyer has confirmed that it is prepared to consummate the Closing and the Company fails to complete the Closing on the date the Closing should have occurred pursuant to Section 2.5 (a "Company Failure to Close").

Notwithstanding anything to the contrary in this Agreement, (i) the Buyer may not terminate this Agreement following any Buyer Failure to Close and (ii) the Company may not terminate this Agreement following any Company Failure to Close. The party seeking to terminate this Agreement pursuant to Sections 9.1.2, 9.1.3, 9.1.4, 9.1.5 9.1.6 or 9.1.7 will give written notice of such termination to the other parties, including a brief description of the basis on which such party is terminating this Agreement.

9.2. Effect of Termination. If this Agreement is terminated pursuant to Section 9.1, all rights and obligations of the parties hereunder will terminate without any liability of any party or any Affiliate thereof; provided, however, that (a) the rights and obligations of the parties under Section 7.2 (Confidentiality; Announcements), Section 8.12 (Acknowledgement by the Buyer), this Section 9.2 (Effect of Termination), Section 1 (Definitions) and Section 10 (Miscellaneous), and the Confidentiality Agreement, will, in each case, survive termination of this Agreement and remain valid and binding obligations of the parties, and (b) nothing herein will relieve any party to this Agreement from liability (i) pursuant to the sections specified in this Section 9.2 that survive such termination, (ii) subject to Section 8.12, for fraud or (iii) for any breach of any covenant or agreement contained herein occurring prior to such termination.

10. Miscellaneous.

10.1. Notices. All notices, requests, demands, claims and other communications required or permitted hereunder will be in writing and will be sent by personal delivery, nationally recognized overnight courier, facsimile or by e-mail (as a PDF). Any notice, request, demand, claim, or other communication required or permitted hereunder will be deemed duly given, as applicable, (a) upon personal delivery, (b) on the date that delivery is confirmed in the courier's systems when sent by courier delivery or (c) upon confirmation of receipt when sent by facsimile or e-mail (as a PDF), addressed as follows:

If to the Buyer or to the Parent to:

Nano-X Imaging, Inc.
6050 Braemoor
Bloomfield Hills, MI 48301
Email: jim.d@nanox.vision
Attention: James Dara

with a copy to:

Crowell & Moring, LLP
1001 Pennsylvania Ave., NW
Washington, DC 20004
Facsimile number: (202) 628-5116
Email: mkass@crowell.com
Attention: Mark A. Kass

If to the Company to:

MDWeb LLC
29 Cormorant Drive
Hampton Bays, NY 11946
Email: mja@mdw.io
Attention: Michael Averbach

with a copy to:

Joshpe Mooney Paltzik LLP
1407 Broadway, Suite 4002
New York, NY 10018
Email: mmooney@jmpllp.com
Attention: Michael Mooney

Any party may change the address to which notices, requests, demands, claims, and other communications required or permitted hereunder are to be delivered by providing to the other parties notice in the manner herein set forth.

10.2. Expenses of Transaction. Whether or not the Contemplated Transactions are consummated, except as otherwise specifically provided for in this Agreement, each of the parties hereto will assume and bear all expenses, costs and fees (including legal and accounting fees and expenses) incurred by such party in connection with the preparation, negotiation and execution and performance of this Agreement and the Escrow Agreement and the consummation of the Contemplated Transactions.

10.3. Entire Agreement. The agreement of the parties that is comprised of this Agreement (including all Schedules and Exhibits hereto) and the Escrow Agreement sets forth the entire agreement and understanding between the parties and their respective Affiliates with respect to the subject matter thereof and supersedes any and all prior agreements, understandings, negotiations and communications (other than the Confidentiality Agreement), whether oral or written, relating to the subject matter of this Agreement or the Escrow Agreement.

10.4. Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or under public policy, all other conditions and provisions of this Agreement will nevertheless remain in full force and effect so long as the economic and legal substance of the Contemplated Transactions are not affected in any manner adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Company and the Buyer will negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible to the end that the Contemplated Transactions are fulfilled in accordance with the terms hereof to the greatest extent possible.

10.5. Amendment. This Agreement may be amended or modified, but only by an instrument in writing executed by each of the Buyer and the Company.

10.6. Parties in Interest. This Agreement will be binding upon and inure solely to the benefit of the parties hereto, and except as provided in Sections 8, and 10.16, nothing in this Agreement, express or implied, is intended to or will be construed to or will confer upon any other Person any right, claim, cause of action, benefit or remedy of any nature whatsoever under or by reason of this Agreement, including by way of subrogation.

10.7. Assignment. This Agreement will be binding upon and inure to the benefit of and be enforceable by the successors and permissible assigns of the parties hereto. This Agreement and any rights and obligations hereunder may not be assigned, hypothecated or otherwise transferred by any party hereto (by operation of law or otherwise) without the prior written agreement of the Buyer and the Company, provided that, the Buyer may assign and delegate any or all of its rights, interests and obligations under this Agreement (1) before or after the Closing to any of its Affiliates and (2) after the Closing, to any Person, provided in each case that any such Affiliate or Person agrees in writing to be bound by all of the terms of this Agreement, but no such assignment or delegation will relieve the Buyer of its obligations under this Agreement if such assignee does not perform such obligation. Any purported assignment in breach of this Section 10.7 shall be null and void.

10.8. Governing Law. This Agreement, and all claims arising in whole or in part out of, related to, based upon, or in connection herewith or the subject matter hereof or the Contemplated Transactions will be governed by, construed and enforced in accordance with the laws of the State of New York, without giving effect to any choice or conflict of law provision or rule that would cause the application of the laws of any other jurisdiction.

10.9. Consent to Jurisdiction. Each party to this Agreement, by its execution hereof, hereby irrevocably (a) submits, except as provided in Section 2.7, to the exclusive jurisdiction of the state or federal courts located in Manhattan, New York, NY for the purpose of any and all Actions arising in whole or in part out of, related to, based upon or in connection with this Agreement or the subject matter hereof or the Contemplated Transactions, (b) waives to the extent not prohibited by applicable law, and agrees not to assert, by way of motion, as a defense or otherwise, in any such Action, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that any such action brought in one of the above-named courts should be dismissed on grounds of improper venue or *forum non conveniens*, should be transferred to any court other than one of the above-named courts, or should be stayed by reason of the pendency of some other proceeding in any other court other than one of the above-named courts, or that this Agreement or any claims arising in whole or in part out of, related to, based upon, or in connection herewith or the subject matter hereof may not be enforced in or by such court, (c) agrees not to commence any such Action other than before one of the above-named courts nor to make any motion or take any other action seeking or intending to cause the transfer or removal of any such Action to any court other than one of the above-named courts (subject in each case to clause (a) of this sentence) whether on the grounds of inconvenient forum or otherwise, (d) consents to service of process in any such Action in any manner permitted by the laws of the State of New York, (e) agrees that service of process made in accordance with clause (d) or made pursuant to Section 10.1 will constitute good and valid service of process in any such Action, and (f) waives and agrees not to assert (by way of motion, as a defense, or otherwise) in any such Action any claim that service of process made in accordance with clause (d) or clause (e) does not constitute good and valid service of process. Notwithstanding the immediately preceding sentence, a party may commence an Action in any other court to enforce an order or judgment issued by one of the courts described in the immediately preceding sentence.

10.10. Waiver of Jury Trial. TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW WHICH CANNOT BE WAIVED, EACH OF THE PARTIES HERETO HEREBY WAIVES, AND AGREES TO CAUSE EACH OF ITS SUBSIDIARIES TO WAIVE, AND COVENANTS THAT NEITHER IT NOR ANY OF ITS SUBSIDIARIES SHALL ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE) ANY RIGHT TO TRIAL BY JURY IN ANY FORUM IN RESPECT OF ANY ACTION DESCRIBED IN SECTION 10.9. ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION 10.10 WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF EACH SUCH PARTY TO THE WAIVER OF ITS RIGHT TO TRIAL BY JURY.

10.11. Reliance. Each of the parties hereto acknowledges that it has been informed by each other party that the provisions of Sections 10.9 and 10.10 constitute a material inducement upon which such party is relying and will rely in entering into this Agreement, and each such party agrees that any breach by such party of any of the provisions of Sections 10.9 or 10.10 above would constitute a material breach of this Agreement.

10.12. Specific Enforcement. Each of the parties acknowledges and agrees that the other parties would be damaged immediately, extensively and irreparably and no adequate remedy at law would exist in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached or violated. Accordingly, in addition to, and not in limitation of, any other remedy available to any party, the parties agree that, without posting bond or similar undertaking, each of the other parties shall be entitled to an injunction or injunctions to prevent breaches or violations of the provisions of this Agreement and to the remedy of specific performance of this Agreement and the terms and provisions hereof. Subject to Section 8 hereof and the limitations set forth therein, such remedies, and any and all other remedies provided for in this Agreement, will, however, be cumulative in nature and not exclusive and will be in addition to any other remedies to which such party may be entitled. Each of the parties hereby acknowledges and agrees that injunctive relief and/or specific performance will not cause an undue hardship to any party. Each party further agrees that, in the event of any action for injunctive relief or for specific performance in respect of any breach or violation, or threatened breach or violation, of this Agreement, it shall not assert the defense that a remedy at law would be adequate or that specific performance or injunctive relief in respect of such breach or violation should not be available on any other grounds.

10.13. No Waiver. No failure or delay on the part of any party hereto in the exercise of any right hereunder will impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty, covenant or agreement herein, nor will any single or partial exercise of any such right preclude any other or further exercise thereof or of any other right. No waiver of any provision of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), or shall constitute a continuing waiver unless otherwise expressly provided. No waiver of any right or remedy hereunder shall be valid unless the same shall be in writing and signed by the party against whom such waiver is intended to be effective.

10.14. Negotiation of Agreement. The parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

10.15. Disclosure Schedules. The inclusion of any information in the Disclosure Schedules will not be deemed an admission or acknowledgment that such information is required to be listed in the Disclosure Schedules or that such items are material. The Disclosure Schedules are arranged in sections corresponding to the subsections of Section 3 contained in this Agreement, and the disclosure of an item in one section of the Disclosure Schedules as an exception to a particular representation or warranty in such subsection of Section 3 will be deemed adequately disclosed as an exception with respect to all other representations and warranties in Section 3 to the extent that the relevance of such item to such other representations and warranties in Section 3 is reasonably apparent on its face, notwithstanding the presence or absence of an appropriate cross-reference thereto.

10.16. Third Party Beneficiaries. No provision of this Agreement is intended to confer upon any Person other than the parties hereto any rights or remedies hereunder; provided however, that the following Persons are expressly intended as third party beneficiaries with respect to the following specified sections of this Agreement and will have the right to enforce such specified sections against the parties to this Agreement: with respect to Section 8, the Persons who are the beneficiaries of the indemnification under such Section.

10.17. Headings. The headings contained in this Agreement are inserted only for reference as a matter of convenience and in no way define, limit or describe the scope or intent of this Agreement, and will not affect in any way the construction, meaning or interpretation of this Agreement.

10.18. Counterparts; Electronic Signature. This Agreement may be executed in any number of counterparts, and by the different parties hereto in separate counterparts, each of which will be deemed an original for all purposes and all of which together will constitute one and the same instrument. This Agreement may be executed by facsimile or PDF signature by any party and such signature will be deemed binding for all purposes hereof without delivery of an original signature being thereafter required.

[*The remainder of this page is intentionally blank. Signatures follow.*]

IN WITNESS WHEREOF, the parties have caused this Asset Purchase Agreement to be executed under seal by their respective duly authorized officers as of the date first written above.

THE BUYER:

NANO-X IMAGING, INC.

By: /s/James Dara
Name: James Dara
Title: President

THE PARENT:

NANO-X IMAGING LTD.

By: /s/ Ran Daniel
Name: Ran Daniel
Title: Chief Financial Officer

THE COMPANY:

MDWEB, LLC (doing business as MDW, LLC)

By: /s/ Michael Averbach
Name: Michael Averbach
Title: Chief Executive Officer

Signature Page to Asset Purchase Agreement

Exhibit 4.2

AGREEMENT AND PLAN OF MERGER

DATED AS OF

AUGUST 9, 2021

BY AND AMONG

NANO-X IMAGING LTD

ZEBRA MEDICAL VISION LTD.,

NEW ZEALAND MERGER SUB LTD,

AND

PERRYLLION LTD

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

TABLE OF CONTENTS
(continued)

TABLE OF CONTENTS
(continued)

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (this "Agreement") is made as of August [•], 2021, by and among Nano-X Imaging Ltd, an Israeli company ("Purchaser"), New Zealand Merger Sub Ltd., an Israeli company and a wholly-owned subsidiary of Purchaser ("Merger Sub"), Zebra Medical Vision Ltd., an Israeli company (the "Company"), and PerryLLion Ltd., solely in its capacity as the representative of all Equityholders (the "Equityholder Representative").

PRELIMINARY STATEMENTS

A. The parties hereto intend to enter into a transaction whereby Merger Sub will merge with and into the Company (the "Merger"), with the Company surviving the merger, on the terms and subject to the conditions set forth in this Agreement and in accordance with the provisions of Sections 314-327 of the Companies Law 5759-1999 of the State of Israel (together with the rules and regulations promulgated thereunder, the "ICL"), following which Merger Sub will cease to exist, and the Company will become a wholly owned subsidiary of Purchaser, on the terms and subject to the conditions set forth in this Agreement.

B. The Board of Directors of the Company has: (i) determined that this Agreement, the Merger and the other transactions contemplated by this Agreement are fair to, and in the best interests of, the Company and its shareholders; (ii) approved this Agreement, the Merger and the other transactions contemplated hereby; and (iii) determined to recommend that the shareholders of the Company approve this Agreement, the Merger and the other transactions contemplated hereby;

C. The Boards of Directors of Purchaser and Merger Sub have each (i) approved this Agreement, the Merger and the other transactions contemplated hereby, (ii) determined that this Agreement, the Merger and the other transactions contemplated by this Agreement are fair to, and in the best interests of, Merger Sub and its sole shareholder, Purchaser; (iii) determined that, considering the financial position of the merging companies, no reasonable concern exists that the Surviving Corporation will be unable to fulfill the obligations of Merger Sub to its creditors; and (iv) determined to recommend that Purchaser, as the sole shareholder of Merger Sub, approves this Agreement, the Merger and the other transactions contemplated hereby.

D. Simultaneously with the execution and delivery of this Agreement, as a condition to Purchaser's entering into this Agreement and as an inducement thereto, Purchaser, the Company and the Requisite Supporting Shareholders entered into a voting agreement (the "Voting Agreement") in the form of Exhibit A pursuant to which such shareholders have agreed to take specified actions in furtherance of the Merger and providing their agreement to the terms and conditions of this Agreement, including (i) actions relating to the approval of the Merger and adoption of this Agreement by the Company's shareholders, and (ii) providing their consent to the effectiveness of the indemnification agreement, customary waivers of rights, customary representations concerning their shares and their rights to consummate the transactions contemplated by the Merger and the limitations on sales stipulated therein.

E. Simultaneously with the execution and delivery of this Agreement, Purchaser and the Company shall enter into a convertible loan agreement, in the form attached hereto as Exhibit J (the "Convertible Loan Agreement"), pursuant to which Purchaser shall extend to the Company, immediately following the execution of this Agreement, a convertible loan in the principal amount of $3,000,000, which, in the case that this Agreement is terminated, will be converted into shares of the most senior class of shares of the Company, all, as further stipulated in the Convertible Loan Agreement.

F**.** Simultaneously with the execution of this Agreement, Purchaser, as the sole shareholder of Merger Sub, is adopting and approving this Agreement and the transactions contemplated hereby, including the Merger.

AGREEMENTS

In consideration of the mutual representations, warranties, covenants and agreements set forth in this Agreement, and for other good and valid consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

ARTICLE I
DEFINITIONS AND RULES OF CONSTRUCTION

SECTION 1.1 Defined Terms. Certain capitalized terms used in this Agreement have the definitions set forth in the body of this Agreement. Any capitalized terms used in this Agreement and not defined in the body of this Agreement have the meanings assigned to such terms in Annex A.

SECTION 1.2 Certain References. Any reference in this Agreement to a statute refers to the statute, any amendments or successor legislation, and all regulations promulgated thereunder, as in effect at the relevant time. Any reference in this Agreement to any United States federal or state action, remedy, method of judicial proceeding, legal document, legal status, court, official or any legal concept or thing shall, in respect of any jurisdiction other than a federal or state jurisdiction of the United States, be deemed to include what is most nearly approximate under the laws of such other jurisdiction. Any reference to a contract, instrument or other document as of a given date means the contract, instrument or other document as amended, supplemented and modified from time to time through such date.

SECTION 1.3 Rules of Construction. Words in the singular shall be held to include the plural and vice versa. Words of one gender shall be held to include the other genders as the context requires. The terms "hereof," "herein," "hereunder," "hereto" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement and not to any particular provision of this Agreement. All article, section, paragraph, annex, exhibit and schedule references are to the articles, sections, paragraphs, annexes, exhibits and schedules of this Agreement unless otherwise specified. The word "including" and words of similar import when used in this Agreement shall mean "including, without limitation" unless otherwise specified. The word "or" shall not be exclusive. All references herein to "dollars" or "$" are to United States dollars. All references herein to "ILS" are to Israeli New Shekels. Any accounting term used in this Agreement shall have, unless otherwise specifically provided herein, the meaning customarily given such term in accordance with US GAAP, and all financial computations hereunder will be computed, unless otherwise specifically provided herein, in accordance with US GAAP. All references herein to any period of days shall mean the relevant number of calendar days unless otherwise specified. All references herein to a "party" or "parties" are to a party or parties to this Agreement unless otherwise specified. For purposes of Article III, the words "made available," "furnished," "delivered" or "provided" or terms of similar import shall mean, with respect to any material, that a copy of such material has been (a) posted to the Data Room on or before 5:00 p.m. (Israel time) on the date that is two Business Days prior to the date of this Agreement, and (b) memorialized in electronic format on a CD-ROM delivered to Purchaser promptly following the execution of this Agreement (but in no event later than three days thereafter).

ARTICLE II
THE MERGER

SECTION 2.1 Reverse Subsidiary Merger. Upon the terms and subject to the conditions set forth in this Agreement, and in accordance with the ICL, at the Effective Time, Merger Sub (as the target company (Chevrat Ha'Ya'ad) in the Merger) shall be merged with and into the Company (as the absorbing company (HaChevra Ha'Koletet) in the Merger). As a result of the Merger, the separate corporate existence of Merger Sub shall cease and the Company shall continue as the Surviving Corporation (the "Surviving Corporation") and shall (a) become wholly owned by Purchaser, (b) continue to be governed by the Laws of the State of Israel, (c) maintain a registered office in the State of Israel, and (d) succeed to and assume all of the rights, properties and obligations of Merger Sub in accordance with the ICL.

SECTION 2.2 Effective Time. As soon as practicable after the determination of the date on which the Closing is to take place, each of the Company and Merger Sub shall (and Purchaser shall cause Merger Sub to), in coordination with each other, deliver to the Registrar of Companies of the State of Israel (the "Companies Registrar") a notice of the contemplated Merger and the proposed date of the Closing on which the Companies Registrar is requested to issue a certificate evidencing the Merger in accordance with Section 323(5) of the ICL (the "Certificate of Merger") after notice that the Closing has occurred is served to the Companies Registrar, which the parties shall deliver on the Closing Date. The Merger shall become effective upon the issuance by the Companies Registrar of the Certificate of Merger in accordance with Section 323(5) of the ICL (the time at which the Merger becomes effective is referred to herein as the "Effective Time"). For the avoidance of doubt, and notwithstanding any provision of this Agreement to the contrary, it is the intention of the parties hereto that the Merger shall be declared effective and that the issuance by the Companies Registrar of the Certificate of Merger in accordance with Section 323(5) of the ICL shall both occur on the Closing Date.

SECTION 2.3 Conversion of Company Shares; Treatment of Company Options, Outstanding Instruments and Company Warrants. At the Effective Time, by virtue of the Merger and without any further action on the part of Purchaser, Merger Sub, the Company or any of their respective shareholders or agents, subject to the terms set forth in this Article II, each Company Share issued and outstanding immediately before the Effective Time will be transferred to the Purchaser, and each Company Warrant and Company Outstanding Instrument will be cancelled, and the right of each Equityholder thereof shall convert into and represent only the right to receive its respective amount in the Closing Consideration, Post-Closing Payment Amount (including, for the removal of a doubt, the Deferred Closing Consideration) and Earn-out Payment Amount pursuant to the Payout Spreadsheet.

(a) All Company Shares, Company Outstanding Instruments and Company Warrants converted in accordance with this Section 2.3 shall upon such conversion no longer be outstanding and shall automatically be cancelled, and each holder of a certificate or certificates representing such Company Shares, Company Outstanding Instrument and Company Warrant shall cease to have any rights with respect to such Company Shares, Company Outstanding Instrument or Company Warrant, as applicable, except the right to receive consideration in the value specified above in this Section 2.3.

Treatment of Vested Company Options. As of the Effective Time, any Vested Company Option (including any Unvested Company Option which becomes vested on account of the transactions contemplated herein) shall be converted, immediately prior to the Effective Time, on a cashless (net exercise) basis, into Company Shares, in a way that each Company Option holder will be entailed to Company Shares, in a value that is net of its stated exercise price. It is clarified that the aggregated exercise price of all option holders will be added and be part of the Closing Consideration and will be distributed in accordance with the Payout Spreadsheet.

(b) Treatment of Unvested Company Options; Termination of all Company Options. As of the Effective Time, any Unvested Company Option (including any Company Option promised to any Person but not granted by the Company) shall be cancelled or otherwise terminated, while having the right to receive that amount of options to purchase Ordinary Shares of Purchaser, as provided in the Payout Spreadsheet (which shall include the specific terms of exercise price, vesting schedule etc.), which will assume, for the purpose of calculating the respective portion of the Merger Consideration which is attributed to Unvested Company Options, the conversion of all of the Unvested Company Options into Ordinary Shares of the Company, immediately prior to the Closing as set forth in the Payout Spreadsheet (the "Option Consideration"). In the event that any portion of the Option Consideration will not be issued to the grantees thereof due to termination of employment or otherwise (the "Options Shortfall Amount"), then the consideration payable to the Equity Holders shall increase by an identical number of Ordinary Shares of Purchaser which is equal to the Options Shortfall Amount (such number of Ordinary Shares of Purchaser, the "Option Consideration True Up"), and such Option Consideration True Up will be added, if applicable, on a pro-rata basis, to the Consideration (and will be treated, for all intents and purposes, as part of the Consideration hereunder) which shall be allocated between the Equity Holders in the manner set forth in the Payout Spreadsheet, on April 25, 2025. Prior to the Closing, the Company shall have taken all actions, if any, necessary to cause the cancellation and termination of such Company Options and the treatment of such Company Options in the manner described in this Section 2.3, including, solely to the extent so required, providing any required notice to or obtaining a waiver of such notice from the holders of the Company Options pursuant to the documents governing such Company Options.

(c) All of the Ordinary Shares of Merger Sub, with each having NIS 0.01 par value, which are issued and outstanding immediately prior to the Effective Time shall be converted into and become validly issued, fully paid and non-assessable shares of the Surviving Corporation, such that all of the shares of the Surviving Corporation which are issued and outstanding immediately prior to the Effective Time shall, by virtue of the Merger and such conversion, be held by the Purchaser.

SECTION 2.4 Escrows. On the Closing Date, Purchaser Share Consideration valued at $10,000,000 based on the Purchaser Share Consideration Price (the "Indemnity Escrow Amount") will be deposited by Purchaser with Altshuler Shaham Trusts Ltd. (together with its successors and permitted assigns, the "Escrow Agent") in an escrow account (the "Indemnity Escrow Account") in accordance with the Escrow and Paying Agent Agreement in a form to be reasonably agreed between the Parties (the "Escrow and Paying Agent Agreement"), to serve as a mechanism to satisfy certain indemnification and other obligations of the Equityholders pursuant to (or otherwise permitted by) Article IX. The Indemnity Escrow Amount, net of the amount of any claims for indemnification that have been noticed or filed under Article IX, will be released to the Paying Agent following a 12-month period as of the Closing Date for distribution to the Equityholders in accordance with the Payout Spreadsheet.

SECTION 2.5 Articles of Association, Directors and Officers.

(a) Articles of Association. At the Effective Time, the Articles of Association of Surviving Corporation, shall be the Articles of Association in the form attached hereto as Exhibit I, until duly amended as provided therein, herein and by applicable Law.

(b) Directors. The parties shall take all actions necessary so that the directors of Merger Sub at the Effective Time shall, from and after the Effective Time, be appointed and serve as the directors of the Surviving Corporation until the earlier of their resignation or removal or until their respective successors are duly elected and qualified, as the case may be, in accordance with the Surviving Corporation's articles of association.

(c) Officers. At the Effective Time, the non-director officers of the Company immediately before the Effective Time shall be the non-director officers of the Surviving Corporation, until the earlier of their resignation or removal or until their respective successors are duly elected or appointed and qualified, as the case may be.

SECTION 2.6 Calculation of Merger Consideration. Subject to the terms and conditions of this Agreement, the aggregate consideration to which the Equityholders (including, for the removal of a doubt, the holders of all Company Options, whether Vested Company Options or Unvested Company Options (taking into account the exchange thereof into equity securities of the Purchaser) shall be entitled pursuant to this Agreement (the "Merger Consideration") is an amount of Purchaser Share Consideration (valued at the Purchaser Share Consideration Price) equal to: (a) $100,000,000; *minus* (b) the Option Consideration; (the aggregate consideration in subsections (a) and (b) constitutes the "Closing Consideration"); *plus* (c) the Deferred Closing Consideration (as defined below), if and as applicable; *plus* (d) up to $84,000,000 contingent upon the successful achievement of the Milestones (the "Earn-out Consideration"); *plus* (e) if applicable according to the provisions of Section 2.3(b) hereof, the Option Consideration True Up.

SECTION 2.7 Closing and Closing Payments.

(a) The transactions contemplated by this Agreement shall be consummated (the "Closing") remotely via email no later than three Business Days after the satisfaction or, if permissible, waiver, of the conditions set forth in Article VIII (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions), or on such other date, or at such other time or place, as shall be mutually agreed upon by the Company and Purchaser (provided that such date shall not be later than the date on which a merger approval certificate is issued by the Companies Registrar). The date on which the Closing occurs in accordance with the preceding sentence is referred to in this Agreement as the "Closing Date." In lieu of an in-person Closing, the Closing may instead be accomplished by email (in PDF or similar format) transmission to the respective offices of legal counsel for the parties of the requisite documents, duly executed where required, delivered upon actual confirmed receipt. All proceedings to be taken and all documents to be executed and delivered by all parties at the Closing will be deemed to have been taken and executed simultaneously, and no proceedings will be deemed to have been taken nor documents executed or delivered until all have been taken, executed and delivered.

(b) Not less than five Business Days prior to the anticipated Closing Date, the Company shall deliver to Purchaser a statement (the "Closing Consideration Certificate"), certified by the Chief Executive Officer of the Company, setting forth: (i) the Company's good faith calculation of the Closing Consideration, together with the Company's good faith estimates of the Closing Indebtedness and Transaction Expense Amount, based upon the most recent ascertainable financial information and records of the Company and the Transaction Expense Amount and (ii) the Payout Spreadsheet. The Closing Consideration Certificate shall be prepared in accordance with the terms of this Agreement, and, to the extent not inconsistent therewith, US GAAP. Prior to the Closing, Purchaser (A) shall have an opportunity to review with the Company and its representatives, and the Company shall provide Purchaser and its representatives reasonable access during normal business hours and upon reasonable notice to, the records of the Company and such information used to prepare the Closing Consideration Certificate and Payout Spreadsheet and its personnel, and (B) may object to all or any part of, the Closing Consideration Certificate. The Company shall consider such objections in good faith, but the Company's reasonable good faith estimates of the Closing Indebtedness and Transaction Expense Amount shall control for purposes of calculating the payments to be made at Closing pursuant to this Section 2.7 (it being understood that Purchaser does not waive its rights with respect to any misrepresentation by the Company as more fully set forth in Section 9 herein).

(c) Promptly after the Closing Date and on the Effective Time, Purchaser shall make the following payments to the Persons indicated below:

(i) an amount in Purchaser Share Consideration (valued at the Purchaser Share Consideration Price) equal to the Indemnity Escrow Amount shall be deposited with the Escrow Agent, to be held and distributed by the Escrow Agent pursuant to the terms and conditions of the Escrow and Paying Agent Agreement;

(ii) an amount of Purchaser Share Consideration (valued at the Purchaser Share Consideration Price) equal to the Closing Consideration minus (A) the Indemnity Escrow Amount, and minus (B) the Expense Fund Amount, as set forth on the Payout Spreadsheet, shall be issued and deposited with the Paying Agent for the benefit of and distribution to the Equityholders.

(d) Required Withholding. Notwithstanding anything to the contrary hereunder, each of the Purchaser, its Subsidiaries, Merger Sub, the Company, the Paying Agent and any of their respective agents (each a "Payor") shall be entitled to deduct and withhold or cause to be deducted and withheld from any consideration, or other amounts, payable or otherwise deliverable pursuant to, or in connection with, this Agreement (including the Merger Consideration and payments set forth in Section 2.3) such amounts as required to be deducted or withheld therefrom under the Ordinance, or under any provision of applicable state, local, Israeli or foreign Tax Law and if any amount is required to be withheld from Purchaser Share Consideration pursuant to this Agreement, Purchaser shall pay such amount in cash through the Paying Agent and reduce the relevant Purchaser Share Consideration. To the extent such amounts were so deducted or withheld and timely remitted by each Payor to the applicable Governmental Entity in accordance with applicable Law, such amounts shall be treated for all purposes under this Agreement as having been paid to the Person to whom such amounts would otherwise have been paid. Payor shall provide as soon as reasonably possible to each Person with respect of whom the deduction and withholding was made, a document evidencing the amount so withheld and remitted to the applicable Governmental Entity with respect to the payment made to such Person.

(e) Notwithstanding the foregoing, with respect to any Israeli Taxes, if the Paying Agent provides Purchaser, 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 under this Agreement at the Closing to each Equityholder shall be retained by the Paying Agent for the benefit of each such Equityholder for a period of up to 180 days from Closing (or, with respect to the Escrow Amount and Expense Fund Amount, 90 days from the date on which such amount, or any portion thereof, is released to the applicable Equityholder) or an earlier date required in writing by such Equityholder or as otherwise requested by the ITA (the "Withholding Drop Date") during which time no Payor shall make any payments to any such Equityholder with respect to Company Shares or Company Convertible Instruments or withhold any amounts for Israeli Taxes from the consideration pursuant to this Agreement, except as provided below (unless such Payor is otherwise instructed explicitly by the ITA), and during which time each such Equityholder may obtain (or, if one already exists, present to the Paying Agent) a valid certificate, ruling or other written instructions issued by the ITA regarding the withholding (or exemption from withholding) of Israeli Tax from the consideration payable in respect thereof in accordance with this Article II or providing other instructions regarding such payments or withholding, to the Purchaser's reasonable satisfaction (the "Valid Certificate"); for the avoidance of doubt, each of the 104H Tax Ruling and the 104H Interim Ruling, is and shall be considered a Valid Certificate. If any such Equityholder delivers, no later than 3 Business Days prior to the Withholding Drop Date a Valid Certificate to a Payor, then the deduction and withholding of any Israeli Taxes shall be made only in accordance with the provisions of such Valid Certificate. If any Equityholder (i) does not provide Payor with a Valid Certificate, by no later than 3 Business Days before the Withholding Drop Date, or (ii) submits a written request with Payor to release such Equityholder's applicable consideration relevant thereto prior to the Withholding Drop Date but fails to submit a Valid Certificate at or before such time, then the amount to be withheld from such consideration shall be as required under the Ordinance. Such amount shall be delivered or caused to be delivered to the ITA by the relevant Payor.

(f) Notwithstanding anything else to the contrary in this Agreement, and unless instructed otherwise by the ITA in writing, for Israeli withholding Tax purposes, the value of the Purchaser Share Consideration shall be determined based on the closing price of such share on the Closing Date.

(g) In the event that a Payor receives a demand from the ITA to withhold any amount in respect of any recipient and transfer it to the ITA prior to the Withholding Drop Date, the Payor (i) shall notify such recipient of such matter promptly after receipt of such demand, and provide such recipient with reasonable time (but in no event less than thirty (30) days, unless otherwise explicitly required by the ITA) 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 (ii) to the extent that any such certificate, ruling or confirmation is not timely provided by such recipient to the Payor, transfer to the ITA any amount so demanded, including any interest, indexation and fines required by the ITA in respect thereof, and such amounts shall be treated for all purposes of this Agreement as having been delivered and paid to such recipient.

(h) the provisions of the Israeli Income Tax Rulings shall apply and all applicable withholding procedures with respect to any Electing Holders shall be made in accordance with the provisions of the Israeli Income Tax Rulings.

(i) Notwithstanding anything to the Contrary set forth herein, any withholding effected hereunder by the Purchaser, Merger Sub, Company, Paying Agent or Escrow Agent shall be effected, at the election of Purchaser, either (i) through the sale of Purchaser Share Consideration held in the Indemnity Escrow Account or from the Merger Consideration and remittance of the proceeds therefrom to the applicable Tax Authority in accordance with applicable Laws or (ii) the forfeiture from the Indemnity Escrow Account of Purchaser Share Consideration and payment of the applicable withholding amount to the applicable Tax Authority out of the Purchaser's cash resources; provided that in each case the calculation of the number of shares of Purchaser Share Consideration to be so sold or forfeited shall be based on the Purchaser Share Consideration Price.

SECTION 2.8 Exchange of Certificates.

(a) Following the date hereof, the parties will engage Altshuler Shaham Trusts Ltd. (the "Paying Agent"), to act as Paying Agent under this Agreement for the purpose of effecting the exchange of consideration for Company certificates that, immediately prior to the Effective Time, represented Company Shares entitled to payment pursuant to Section 2.3. Promptly following the Effective Time, the Paying Agent shall send to each Equityholder a Letter of Transmittal, together with instructions for the completion and return thereof. The Paying Agent shall pay each holder of certificates representing Company Shares who has surrendered his, her or its certificates representing such Company Shares, together with a duly executed and completed letter of transmittal substantially in the form which will be reasonably agreed between the Parties ("Letter of Transmittal"), and, with respect to Company Shareholders who are individuals and residents in a jurisdiction that follows the community property regime, a duly executed Spousal Consent, the amount of Purchaser Share Consideration to which he, she or it is entitled under Section 2.3 as of the Effective Time (to avoid doubt, excluding any Post-Closing Payment Amounts or Earn-out Payment Amounts), which amount shall be transferred to the Paying Agent within two Business Days after the later of (A) the Effective Time and (B) the date on which the Paying Agent receives such Equityholder's duly completed Letter of Transmittal, certificate(s) and other documents, if any, reasonably required by the Paying Agent for the purposes of making such transfer ("Transmittal Documents"). Until so surrendered and exchanged, each such certificate shall represent solely the right to receive the applicable portion of the Merger Consideration pursuant to Section 2.3. Notwithstanding the foregoing, if any such certificate shall have been lost, stolen or destroyed, then, upon the making of an affidavit of such fact and the granting of a standard indemnity with respect thereto by the Person claiming such certificate to be lost, stolen or destroyed, the Paying Agent shall disburse, in exchange for such lost, stolen or destroyed certificate, the applicable portion of the Merger Consideration to be paid in respect of the Company Shares represented by such certificate pursuant to Section 2.3, as contemplated by this Section 2.8(a).

(b) Any portion of the Merger Consideration deposited with the Paying Agent pursuant to Section 2.8(a) or Section 2.10 below that remains unclaimed by the Equityholders one year after the Effective Time - with respect to the Closing Consideration, or, one year after the Milestone Achievement Date – with respect to each payment of any Earn-out Payment Amount, will be returned to the Surviving Corporation, and any Equityholder who has not delivered to the Paying Agent the applicable Letter of Transmittal, Transmittal Documents and, as applicable, Share certificates (or in the event that any Share certificate has been lost, stolen or destroyed, provided an affidavit in accordance with Section 2.8(a)) in each case prior to such time, will thereafter look only to the Surviving Corporation for payment thereof.

SECTION 2.9 Closing Deliveries. At the Closing, the parties shall deliver the documents and instruments that are set forth in this Section 2.9.

(a) At the Closing, Purchaser or Merger Sub, as applicable, shall execute and/or deliver or cause to be delivered to the Company (or such other Person as indicated below) all of the following:

(i) the Escrow and Paying Agent Agreement, duly executed by Purchaser;

(ii) a certificate executed by Purchaser confirming that the conditions set forth in Sections 8.1(a) and 8.1(b) have been satisfied;

(iii) evidence of the issuance to the Paying Agent of such portion of the Closing Consideration (in Purchaser Share Consideration) as set out in Section 2.7(c)(vi);

(iv) evidence of the issuance of the Indemnity Escrow Amount to the Escrow Agent;

(v) an opinion of Amit, Pollak Matalon & Co. addressed to the Equity Holders and dated as of the Closing, substantially in the form of Exhibit F attached hereto; and

(vi) a certificate of the Chief Executive Officer of the Purchaser, certifying as true, correct and complete, together with copies of, the following: (A) each Organizational Document of the Purchaser and the Merger Sub, including each such party's Articles of Association; and (B) the resolutions of each of the Purchaser's and the Merger Sub's boards of directors authorizing the execution, delivery and performance of this Agreement and any other documents delivered by such party hereunder.

(b) At the Closing the Company shall execute and/or deliver or cause to be delivered to Purchaser all of the following:

(i) the Escrow and Paying Agent Agreement, duly executed by the Company and the Equityholder Representative;

(ii) written acknowledgments pursuant to which the Persons, including those identified in Schedule 2.9(b)(ii), who performed services for or on behalf of, or provided advice to the Company and who are entitled to compensation from the Company or the US Subsidiary, in connection with this Agreement, any of the transactions contemplated by this Agreement or is otherwise owed any amount which is part of the Transaction Expenses (calculated to include any amounts that only become payable if the Closing occurs) (the "Transaction Expense Amount") has been paid in full and is not (and will not be) owed any other amount by the Company or any Affiliate thereof with respect to this Agreement any of the transactions contemplated by this Agreement or otherwise;

(iii) a certificate of the Chief Executive Officer of the Company certifying as true, correct and complete the following: (A) a copy of each Organizational Document of the Company, including the Company Charter; (B) a copy of the resolutions of the Company's board of directors, in the form of Exhibit D attached hereto, authorizing the execution, delivery and performance of this Agreement and any other documents delivered by the Company hereunder, and (C) minutes or written resolutions evidencing the Shareholder Approval;

(iv) a certificate executed by the Company confirming that the conditions set forth in Section 8.2(a), Section 8.2(b) and Section 8.2(c) have been satisfied and representing and warranting to Purchaser the amount of Closing Indebtedness and the Transaction Expense Amount set forth in the Closing Consideration Certificate;

(v) a resignation letter, effective as of the Effective Time, of each director and/or officer of the Company that has been requested by Purchaser;

(vi) the Payout Spreadsheet, duly certified by, and the amounts set forth therein as payable in respect of the Ordinary Shares of the Company, the Preferred C Shares, the Preferred B Shares, the Preferred A Shares, the Company Warrants and the Company Outstanding Instruments, represented and warranted to by, the Chief Executive Officer of the Company;

(vii) an opinion of Horn & Co. addressed to the Purchaser and dated as of the Closing, in the form of Exhibit E attached hereto;

(viii) transfer to the Equityholder Representative of the Expense Fund Amount;

(ix) evidence reasonably satisfactory to Purchaser of the termination, effective prior to the Effective Time, of all Contracts between the Company and a Related Party of the Company, including all Rights Agreements and all Shareholder Agreements, which do not by their terms terminate automatically at Closing.

SECTION 2.10 Post-Closing Payments; Deferred Closing Payments.

(a) Within 15 days of each Milestone Achievement Date with respect to a Milestone which has been successfully achieved, Purchaser shall pay an amount in Purchaser Share Consideration (valued at the Purchaser Share Consideration Price) that is equal to, with respect to such Milestone (subject to deduction in accordance with this Agreement), such percentage of the aggregate Earn-out Consideration listed next to such Milestone in the Milestone Schedule (each such portion of the Earn-out Consideration to be paid upon the successful achievement of a Milestone, the "Earn-out Payment Amount"). Each Earn-out Payment Amount shall be issued and deposited, within the said 15 days of the Milestone Achievement Date, with the Paying Agent for the benefit of and distribution to the Equityholders pursuant to the updated Payout Spreadsheet, *provided*, *however*, that the provisions of Sections 2.7(d) through (i), shall apply with respect to the payment and distribution of each Earn-out Payment Amount.

(b) Subject to the execution of each Designated Commercial Agreement (a "Deferred Closing Payment Date") defined below on or prior to the lapse of the 6-month period following the date hereof (the "Deferred Closing Final Date"), the Purchaser shall pay an amount, in Purchaser Share Consideration (valued at the Purchaser Share Consideration Price) that is equal to, an amount of $5,333,333.33, for each of the Designated Commercial Agreements (as defined below), which results in an aggregate amount of up to $16,000,000 (prior to the deductions specified below), which was duly executed (by all relevant parties) following the date hereof and prior to the Deferred Closing Final Date. The Purchaser shall deduct $2,000,000 from each payment of $5,333,333.333 for a Designated Commercial Agreement (and $6,000,000 in aggregate, assuming all Designated Commercial Agreements are executed (the "Deduction Amount") on account of certain Company's indebtedness and cash shortfall (the amount actually required to be paid under this sub-Section (b) shall be referred hereto as the "Deferred Closing Consideration". The Deferred Closing Consideration will be paid within 15 days of the execution of each Designated Commercial Agreement in accordance with this Section 2.10(b) but in any event not prior to the Closing. It is agreed that the Purchaser will deduct from the Earn-out Consideration any portion of the Deduction Amount not previously deducted due to the failure to execute any or all of the Designated Commercial Agreements as specified above (the "Deduction Amount Shortfall"). For illustration purposes, if two Designated Commercial Agreements are executed, the Deduction Amount Shortfall shall be $2,000,000. The deduction of the Deduction Amount Shortfall shall be made from the Earn-out Consideration derived from all Milestones achieved following the Deferred Closing Payment Date pro rata, such that upon achievement of each Milestone, Purchaser shall be entitled to deduct a percentage of the Deduction Amount Shortfall equal to the percentage attributed to the applicable Milestone.

For the purpose hereof, the term "Designated Commercial Agreements" shall mean commercial agreements between the Company and (i) IHC Health Services, Inc., which provides for software license and provision of services by the Company to IHC, (ii) DePuy Ireland Unlimited Company, which provides an amendment to the existing Development and License Agreement dated December 9, 2019 to include a refinement of the product specification, feasibility and the development milestones, and (iii) The Secretary of State for Health and Social Care, which provides for evaluation project funded by the UK National Health Service, for utilization of AI-enabled vertebral fracture pathway to prevent osteoporotic fractures.

SECTION 2.11 Notice of a Failure to Achieve a Milestone.

(a) Within 7 days after each Milestone Target Date, Purchaser shall notify, along with the provisions supporting documentation if and to the extent applicable or available, to the Equityholder Representative, on the achievement or non-achievement of the respective Milestone for which such Milestone Target Date has been set (in the case that such notice refers to the non-achievement of such Milestone, it shall be referred hereto as the "Milestone Failure Notification".

SECTION 2.12 Disputes Regarding the Achievement of a Milestone.

The Equityholder Representative shall have from the time upon which a Milestone Failure Notification is delivered to it until 5:00 p.m., Eastern time, on the date 21 days after the date of such delivery (the "Milestone Dispute Period" or the "Dispute Period") to dispute the non-achievement of a Milestone (the "Milestone Dispute" or the "Dispute"). In the case that the Milestone Failure Notification was provided with respect to a Milestone, then the Equityholder Representative and its advisors and representatives shall have reasonable access during regular business hours to the books and records (in electronic format, if available) of the Company and the Surviving Corporation reasonably relevant to Purchaser's conclusion that the applicable Milestone has not been successfully achieved. The Equityholder Representative and its representatives may make inquiries of Purchaser and the Company regarding questions concerning, or disagreements with, the Milestone Failure Notification arising in their review thereof, and Purchaser shall use its, and shall cause the Surviving Company to use its, commercially reasonable efforts to cooperate with and respond to such inquiries. If the Equityholder Representative does not deliver to the Purchaser within the Milestone Dispute Period a written notice of the Milestone Dispute that sets forth in reasonable detail the elements and amounts with which the Equityholder Representative disagrees (a "Milestone Dispute Notice" or a "Dispute Notice"), the Milestone Failure Notification shall be deemed to have been accepted and agreed to by the Equityholder Representative in the form in which it was delivered by Purchaser and it shall be final and binding upon the parties. If Equityholder Representative delivers a Milestone Dispute Notice to the Purchaser within the Milestone Dispute Period, Purchaser and the Equityholder Representative shall use reasonable efforts to resolve the Milestone Dispute and agree in writing upon the final conclusion of the disputed Milestone within 30 days after delivery of such Milestone Dispute Notice (the "Milestone Dispute Objection Period" or a "Dispute Objection Period").

(a) If Purchaser agrees with the objection of the Equityholder Representative and Equityholder Representative's claims that a Milestone has been successfully achieved, and expressly confirms such agreement by delivery of written notice of the same delivered to the Equityholder Representative, then the agreement of the Purchaser and the Equityholder Representative that the Milestone referred to in the Milestone Failure Notice has been achieved will be final and binding upon the parties. If Purchaser and the Equityholder Representative are unable to resolve each element of the applicable Dispute within the applicable Dispute Objection Period, then Purchaser will, within 15 days after expiration of the applicable Dispute Objection Period, notify the Equityholder Representative in writing of its disagreement, which notice will set forth in reasonable detail the elements and amounts, if applicable, with which Purchaser disagrees (the "Dispute Response"). If Purchaser does not deliver to the Equityholder Representative within such 15-day period a Dispute Response, then the Milestone shall be deemed to have been achieved. If Purchaser timely delivers the Dispute Response, Purchaser and the Equityholder Representative shall jointly engage the Israeli branch of an internationally recognized certified public accounting firm that has not performed material accounting, tax or auditing services for Purchaser, the Equityholder Representative, or the Company during the three years immediately prior to such engagement (the "Arbitrating Accountant"). If Purchaser and the Equityholder Representative are unable to agree on the identity of the Arbitrating Accountant, the accountants designated by each of Purchaser and the Equityholder Representative shall jointly select the Arbitrating Accountant. Each of Purchaser and the Equityholder Representative agrees to use its commercially reasonable efforts to cooperate with the Arbitrating Accountant and to cause the Arbitrating Accountant to resolve any such dispute as soon as practicable after the commencement of the Arbitrating Accountant's engagement. The Arbitrating Accountant's function shall be to resolve each element of the Dispute that has not been resolved by Purchaser and the Equityholder Representative as an accounting expert and not as an arbitrator, decide whether the Milestone has been achieved or not.

(b) In connection with the resolution of the Dispute, the Arbitrating Accountant will limit its review to the positions of the parties set out in the Dispute Notice and the Dispute Response. The Arbitrating Accountant may, at its discretion, conduct a conference concerning the Dispute, at which conference Purchaser and the Equityholder Representative shall have the right to present additional documents, materials and other information and to have present their respective advisors, counsel and accountants; provided that, Purchaser and the Equityholder Representative will be limited by their respective positions in the Dispute Notice and the Dispute Response; and provided that, the Arbitrating Accountant shall not rely on or consider any other documents, materials, presentations or evidence regarding the intent or agreement of the parties (other than the plain language of the Agreement) in making a determination. In connection with the resolution of the Dispute, there shall be no other hearings or oral examinations, testimony, depositions, discovery or other similar proceedings. Each of Purchaser and the Equityholder Representative shall make available to the other party and the Arbitrating Accountant, as the case may be, such documents, books, records, work papers, facilities, personnel and other information as such party or the Arbitrating Accountant may reasonably request to review the resolution which underlies the Milestone Failure Notice and to resolve the applicable Dispute.

(c) The Arbitrating Accountant shall as promptly as possible, and in any event within 30 days after the date of its appointment, render its decision on each element in the Dispute in writing to Purchaser and the Equityholder Representative, together with a resolution as to whether the Milestone has been achieved or not. In resolving the Dispute, the Arbitrating Accountant shall be bound by the provisions of this Agreement Each of the Arbitrating Accountant's decision, the revised calculation of the Merger Consideration (where applicable) and the decision as to whether the Milestone has been achieved or not, shall be final and binding upon the parties, and judgment may be entered on the award. The Arbitrating Accountant shall determine the proportion of its fees and expenses to be paid by the Equityholder Representative, on the one hand, and Purchaser, on the other hand, based on the degree to which the Arbitrating Accountant has accepted the positions of the respective parties. Notwithstanding the foregoing, each of Purchaser and Equityholder Representative (on behalf of the Equityholders and which may be paid out of the Expense Fund to the extent available) will be responsible for paying the fees, costs and expenses of their respective attorneys, accountants and other representatives in connection with the Dispute.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby makes the representations and warranties to Purchaser that are set forth in this Article III as of the date hereof and as of the Closing Date (except to the extent that such representations and warranties speak as of a specific date, in which case such representations and warranties are and will be complete and accurate as of such specific date), except as set forth in the disclosure schedule provided by Company to the Purchaser, as of the date hereof (the "Disclosure Schedules").

SECTION 3.1 Organization, Existence and Good Standing. The Company is a corporation duly organized and validly existing under the laws of Israel and the Company is not registered by the Companies Registrar under the status of a "Violating Company" in the meaning of Section 362a of the provisions of the ICL, and it has not received any written notice or warning concerning any intention of the Companies Registrar to register and/or declare the Company as a "Violating Company". The Company is in good standing, under the laws of, and is licensed to do business in, all jurisdictions where the nature of its business or the nature or location of its assets requires such qualification, except such jurisdictions where the failure to be so qualified or licensed or in good standing would not, individually or in the aggregate, (a) result in or be reasonably expected to have a Material Adverse Effect or (b) materially and adversely affect the ability of the Company to consummate the transactions contemplated by this Agreement. The Company has heretofore made available to Purchaser complete and accurate copies of all Organizational Documents of the Company as currently in effect (including all amendments made thereto at any time on or before the date hereof) and the Company is not in default under or in violation of any provision thereunder.

SECTION 3.2 Power and Authority.

(a) The Company has full power and authority to enter into, deliver, and perform this Agreement and the other Transaction Documents to which it is a party. The execution, delivery and performance of this Agreement and the other Transaction Documents to which it is a party by the Company and the consummation by the Company of the transactions contemplated by this Agreement and the other Transaction Documents to which it is a party have been duly and validly approved by the board of directors of the Company and, upon receipt of the Shareholder Approval, will have been duly and validly approved by the Shareholders. Other than the Shareholder Approval, no other proceedings are necessary on the part of the Company to authorize the execution, delivery and performance of this Agreement and the other Transaction Documents to which the Company is a party and the consummation by the Company of the transactions contemplated herein or therein.

(b) The Board of Directors of the Company has (i) determined that this Agreement, the Transaction Documents to which the Company is to be a party and the consummation by the Company of the transactions contemplated hereby and thereby, including the Merger, are fair to, advisable and in the best interests of the Shareholders of the Company, (ii) approved and adopted this Agreement, the Transaction Documents to which the Company is to be a party and the consummation by the Company of the transactions contemplated hereby and thereby, including the Merger, (iii) resolved to recommend approval and adoption of this Agreement and the Merger by the Shareholders and (iv) directed that this Agreement and the Merger be submitted to the Shareholders for their approval and adoption immediately following the execution hereof. The only votes or consents required to obtain the Shareholder Approval are set forth on Schedule 3.2(b). Other than as set forth on such Schedule 3.2(b), no other proceedings or actions on the part of the Company or any of its Shareholders are necessary to obtain the Shareholder Approval.

SECTION 3.3 Enforceability. This Agreement has been duly authorized, executed and delivered by the Company and, assuming (i) due authorization, execution and delivery by the other parties and (ii) the Shareholder Approval being obtained, constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except to the extent enforcement may be affected by Laws relating to bankruptcy, reorganization, insolvency and creditors' rights and by the availability of injunctive relief, specific performance and other equitable remedies. At the Closing, the Transaction Documents to be executed and delivered by the Company will have been duly executed and delivered by duly authorized officers or other signatories of the Company and, assuming (i) due authorization, execution and delivery by the other parties thereto and (ii) the Shareholder Approval being obtained, will constitute valid and binding obligations of the Company, enforceable in accordance with their terms, except to the extent enforcement may be affected by Laws relating to bankruptcy, reorganization, insolvency and creditors' rights and by the availability of injunctive relief, specific performance and other equitable remedies.

SECTION 3.4 Consents; Non-contravention. The Company does not need to give any notice to, make any filing with or obtain any authorization, consent, Order or approval of any Governmental Entity in connection with the execution and delivery of this Agreement and the other Transaction Documents or the consummation of the transactions contemplated herein and therein. Except as set forth in Schedule 3.4, neither the execution, delivery and performance of this Agreement and the other Transaction Documents, nor the consummation of the transactions contemplated herein and therein will: (a) violate any provision of the Company's Organizational Documents; (b) require any consent of or notification to any third party, conflict with, result in a breach of, or constitute a default or an event creating rights of acceleration, termination, modification or cancellation or a loss of rights under, any Material Contract or material Permit to which the Company is a party, subject or otherwise bound; (c) the Company's Knowledge, violate any Law or Order to which the Company or any of its assets or businesses is subject or otherwise bound; or (d) result in the creation or imposition of any Lien (other than Permitted Liens) upon any of the assets or businesses of the Company or any of the Company Shares, except with respect to (b), (c) and (d), where such breach, default, violation or creation or imposition of any Lien (other than Permitted Liens) would not individually or in the aggregate result or be reasonably expected to result in a Material Adverse Effect.

SECTION 3.5 Capitalization.

(a) The authorized share capital of the Company consists solely of 8,500,000 Ordinary Shares of the Company, 3,000,000 Preferred C Shares, 1,300,000 Preferred B Shares and 1,500,000 Preferred A Shares. The issued and outstanding share capital of the Company consists solely of 1,577,289[1] Ordinary Shares of the Company, 1,353,248 Preferred C Shares, 734,947 Preferred B Shares, and 957,896 Preferred A Shares. There are no shares of share capital of the Company of any other class authorized, issued or outstanding. All of the issued and outstanding Company Shares have been validly issued, are fully paid and non-assessable, and, except as set forth on Schedule 3.5(a)(i), are not subject to, nor were they issued in violation of, any purchase or call option, preemptive rights, rights of first refusal or similar right. Schedule 3.5(a)(ii) sets forth, with respect to the Company Shares, the record and beneficial owners thereof as of the date hereof, the number of each type of Company Shares held by each such owner (including the number of Ordinary Shares of the Company into which such Company Shares are convertible), and whether any such Company Shares are unvested or subject to a repurchase option, risk of forfeiture or other contractual right as of the date of this Agreement, and with respect to the Company Convertible Instruments, the Company Shares which holders of the Company Convertible Instruments are entitled to receive upon conversion thereof pursuant to the consummation of the transactions contemplated in this Agreement. Each Shareholder holds his, her or its Company Shares free and clear of all Liens. Schedule 3.5(a)(iii) sets forth the number of Ordinary Shares of the Company into which each Preferred C Share, Preferred B Share and Preferred A Share, respectively, is convertible as of immediately prior to the Closing pursuant to the Company Charter.

1 Slight changes may be required due to options exercise

(b) Other than the Company Convertible Instruments set forth in Schedule 3.5(b) and the Company Warrants, there are no outstanding subscriptions, options, warrants, convertible securities, puts, calls, rights to subscribe, conversion rights, or other agreements, rights or commitments of any character relating to the issued or unissued share capital or other securities of the Company by which the Company is bound.

(c) As of the date of this Agreement, there exist no in-the-money outstanding Company Options issued to participants pursuant to the Company Incentive Plan, which is the only option or equity compensation plan currently sponsored by the Company, other than as set forth in Schedule 3.5(c). Other than as set forth in Schedule 3.5(c), the Company Incentive Plan constitutes the only Contract of the Company pursuant to which the Company has or may grant, make or issue options, calls, rights, convertible securities, commitments or agreements of any character, written or oral, to which the Company is a party or by which the Company is bound, obligating the Company to issue, deliver, sell, repurchase or redeem, or cause to be issued, delivered, sold, repurchased or redeemed, any shares of Ordinary Shares of the Company. The Company has furnished to Purchaser complete and accurate copies of the forms of agreements and instruments relating to or issued under the Company Incentive Plan, including all exhibit, attachments, amendments, modifications, and supplements thereto, as well as complete and accurate copies of any individual agreements or instruments which deviate from the provided forms of agreements and instruments.

(d) Except as set forth on Schedule 3.5(d), to the Company's Knowledge there are no voting trusts, voting agreements, investors rights agreements, proxies, stockholder agreements or other agreements that may affect the voting or transfer of the Company Shares (including agreements relating to rights of first refusal, “co-sale” rights, “drag-along” rights or registration rights) of any Company Shares, or any other investor rights, including rights of participation (i.e., pre-emptive rights), voting, board observation, information or operational covenants (collectively, the “Rights Agreements”).

(e) The Company is not subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any of its Equity Interests. No former holder of any Equity Interests of the Company has asserted any claim or rights against the Company or any Shareholder that remains unresolved and, to the Company’s Knowledge, no such claim is threatened. The Company has no right or obligation (contingent or otherwise) to acquire any direct or indirect equity ownership in, or to make any investment (in the form of a loan, capital contribution or otherwise) in any Person.

(f) Schedule 3.5(f) sets forth all of the Indebtedness of the Company. The Company is not in default or otherwise in breach of any Contracts pursuant to which Indebtedness was issued to the Company. Other than as set forth in Schedule 3.5(f), no holder of Indebtedness has any right (i) to convert or exchange such Indebtedness for any Equity Interests of the Company or (ii) to vote for the election of directors of the Company or to vote on any other matter.

(g) The Purchaser Share Consideration issued to the holders of the Company Shares and Company Warrants under Section 2.2 and as set forth on the Payout Spreadsheet will be calculated and will be issued (when issued in accordance with and subject to the terms of this Agreement) in accordance with and subject to all terms of the Organizational Documents of the Company as in effect on the date hereof and on and as of the Effective Time, all applicable Laws and any other Contractual requirements on the part of the Company. No holder is entitled to any treatment of its Company Shares and Company Warrants as applicable, other than as provided in this Agreement.

(h) Upon and subject to Closing, any agreement pursuant to which holder of Company Warrants is granted a right to purchase any Company Shares, and all Company Warrants held by holder of Company Warrants, shall be cancelled and have no further force and effect.

SECTION 3.6 Subsidiaries.

(a) Except for Zebra Medical Vision, Inc, a Delaware corporation and wholly owned Subsidiary of the Company (the "US Subsidiary"), the Company does not have any Subsidiaries and except as set forth in Schedule 3.6(a) has never had any other Subsidiaries. Other than with respect to the US Subsidiary, the Company does not own any Equity Interests or other securities of, or any equity, voting, financial or ownership interest in, any entity.

(b) The Company owns, beneficially and of record, all of the issued and outstanding stock capital of the US Subsidiary, and all the rights thereto free and clear of liens, claims, charges, encumbrances, restrictions, rights, options to purchase, proxies, voting trust or other voting agreements.

(c) All issued and outstanding share capital of the US Subsidiary has been duly authorized, and is validly issued and outstanding and fully paid and was issued in accordance with the registration and qualification provisions of all applicable laws.

(d) The US Subsidiary is duly organized, validly existing and in good standing under the applicable laws of the State of Delaware, and has full corporate power and authority to own its assets and to conduct its business. The US Subsidiary is qualified to do business and the Company is not aware of any reason or factor which may prevent the US Subsidiary from being in good standing wherever the nature of such US Subsidiary's business is being conducted. The US Subsidiary has not taken or failed to take any action, which action or failure would preclude or prevent it from conducting its business after the Closing Date in the manner heretofore conducted or as proposed to be conducted prior to the Closing Date.

(e) The US Subsidiary does not own Equity Interests or other securities of, or any equity, voting, financial or ownership interest in, any entity.

(f) All of the corporate rights in and to the US Subsidiary are held by, and vested in, the Company.

(g) Any representation provided in this Article III with respect to the Company shall, where applicable, be deemed to have been provided, *mutatis mutandis*, with respect to the US Subsidiary, unless explicitly excluded herein (for purpose of clarification, the mere reference to the Company itself (without adding a reference to the US Subsidiary) shall not be deemed an explicit exclusion for the purpose hereof).

SECTION 3.7 Financial Statements.

(a) Attached as Schedule 3.7(a) are complete and accurate copies of (i) the audited consolidated balance sheets and related statements of operations, stockholders' equity and cash flows (together with any notes thereto) of the Company as of and for the years ended December 31, 2018 and 2019 (the "Audited Financial Statements"), (ii) an unaudited consolidated balance sheet and related statements of operations, stockholders' equity and cash flows (together with any notes thereto) of the Company as of and for the years ended December 31, 2020 (the "Unaudited Financial Statements"), and (iii) the unaudited but reviewed consolidated balance sheet and related statements of operations, stockholders' equity and cash flows (together with any notes thereto) of the Company as of and for the 5-month period ended May 31, 2021 (the "Interim Financial Statements" and, together with the Audited Financial Statements and the Unaudited Financial Statements, the "Financial Statements"). The Financial Statements (A) are consistent with and derived from the monthly books and records of the Company, (B) were prepared in accordance with US GAAP consistently applied through the periods covered thereby and (C) present fairly, in all material respects, the financial position of the Company as of the dates thereof and the results of operations and cash flows of the Company for the periods covered by such statements, in accordance with US GAAP consistently applied through the periods covered thereby, except as disclosed therein.

(b) Complete and accurate copies of the books of account, share record books, minute books, bank accounts, and other corporate records of the Company in the Company's possession have been made available by the Company to Purchaser, and such books and records have been maintained in accordance with good business practices. The minute books of the Company contain accurate and complete records of all material meetings held, and material action taken, by the Shareholders, the Company's board of directors, and the committees of the Company's board of directors, and no material meeting of the Shareholders, board of directors, or committee has been held for which minutes have not been prepared and are not contained in such minute books. At the Closing, all of those books and records will be in the possession of the Company.

(c) The Company maintains adequate internal accounting controls which ensure that (i) transactions are executed with management's authorization; (ii) transactions are recorded as necessary to permit preparation of the Company's financial statements and to maintain accountability for its assets; (iii) access to its assets is permitted only in accordance with management's authorization; (iv) the reporting of its assets is compared with existing assets at regular intervals; and (v) accounts, notes and other receivables and inventory are recorded accurately, and proper and adequate procedures are implemented to affect the collection and/or valuation thereof on a current and timely basis.

SECTION 3.8 Undisclosed Liabilities; Indebtedness. The Company does not have any Liabilities other than Liabilities: (a) set forth on the balance sheet in the Interim Financial Statements and not discharged subsequent to the date of the Interim Financial Statements; (b) for Transaction Expenses that will be paid by the Company at the Closing in accordance with the terms of this Agreement; (c) incurred by the Company subsequent to the date of the Interim Financial Statements in the ordinary course of business consistent with past practices and not discharged subsequent to the date of the Interim Financial Statements; or (d) with respect to future performance (and not breach) under the executory portion of any Material Contract by which the Company is bound and that was entered into in the ordinary course of the business consistent with past practices, in the cases of each of (c) and (d), none of which is or may reasonably be expected to be (individually or in combination with any other Liability) material to the Company. The Company is not a party to, nor does the Company have any commitment to become a party to, any joint venture, off-balance sheet partnership or any similar contract or any off-balance sheet arrangements where the purpose or intended effect of such contract or arrangement is to avoid disclosure of any transaction involving, or liabilities of, the Company in the Financial Statements.

SECTION 3.9 Assets.

(a) The Company is the sole owner of all right, title, and interest in and to all assets reflected as being owned by it in the Interim Financial Statements and all other assets and property, real and personal, tangible and intangible owned, held or used by it, other than (i) any property or assets leased to the Company or (ii) Intellectual Property licensed to the Company (collectively, the "Assets" and, together with (A) all property or assets leased to the Company and (B) Intellectual Property licensed to the Company, the "Property"), and, except as set forth on Schedule 3.9(a) and other than pursuant to the express terms of any license agreement pursuant to which Intellectual Property is licensed to the Company, there exists no restriction on the use or transfer of the Property. Other than set forth in Schedule 3.9(a), no Property is in the possession of others and the Company does not hold any property on consignment. The Company has (I) good title to all of the Assets owned by it, free and clear of all Liens, other than Permitted Liens, and (II) a valid leasehold interest in all of the leased Property or a valid license right to use all of the licensed Property, free and clear of all Liens. Upon the Closing, the Company shall continue to be vested with good title to, or a valid leasehold interest or license right interest in, the Property.

(b) All of the tangible Property has been maintained in accordance with normal industry practice, is in good operating condition and repair (subject to normal wear and tear), and is suitable for the purposes for which it is presently used.

SECTION 3.10 Taxes.

(a) The Company has properly completed and timely filed all income and other material Tax Returns required to be filed by it prior to the Closing Date, has timely paid all material Taxes required to be paid by them (whether or not shown on any Tax Return), and has no material Liability for Taxes in excess of the amounts so paid other than Taxes that are not yet due or that are being contested in good faith in appropriate proceedings. All such Tax Returns were materially complete and accurate and have been prepared in material compliance with applicable Law. There is no written claim for Taxes being asserted against the Company that has resulted in a Lien against any of the assets of the Company.

(b) The Company has made available to Purchaser true, correct and complete copies of (i) all material Tax Returns filed, examination reports and statements of deficiencies, adjustments and proposed deficiencies and adjustments in respect of the Company, (ii) any audit report, ruling, decision, closing or settlement agreement, technical advice memorandum, tax holiday or similar document issued since the inception of each of the Company (or otherwise with respect to any audit or proceeding in progress) relating to Taxes of the Company, (iii) any examination reports, and statements of deficiencies assessed against or agreed to by the Company, and (iv) all material written communications to, or received by the Company from any Tax authority, and (v) all Tax opinions and legal memoranda and similar documents for the Company, in each case under (ii) to (v), for all taxable periods or all tax years with respect to which the applicable statute of limitations has not expired. No election has been made with respect to Taxes of the Company in any Tax return that has not been made available to Buyer.

(c) The Financial Statements reflect all Liabilities for unpaid Taxes of the Company. The Company does not have any Liability for Taxes that is not included in the Financial Statements.

(d) There is (i) no past or pending audit of, or Tax controversy associated with, any Tax Return of the Company that has been or is being conducted by a Tax Authority, (ii) no other procedure, proceeding or contest of any refund or deficiency in respect of Taxes pending or on appeal with any Governmental Entity, (iii) no extension of any statute of limitations on the assessment of any Taxes granted by the Company currently in effect and (iv) no agreement to any extension of time for filing any Tax Return that has not been filed. No claim has ever been made by any Governmental Entity in writing in a jurisdiction where the Company do not file Tax Returns that the Company is or may be subject to taxation by that jurisdiction.

(e) The Company has complied in all material respects with all applicable Laws relating to the payment and withholding of Taxes, including from payments made or deemed made to employees, suppliers, lenders, SAFEs or any other Persons (including, without limitation, with respect to the Company Convertible Instruments and any applicable withholding in connection with the conversion thereof) and has duly and timely withheld and paid over to the appropriate Tax 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.

(f) The Company has duly withheld and deducted all of the amounts required to be paid by the Company on account of the issuance of the shares pursuant to convertible instruments, or was otherwise exempted from such requirement.

(g) 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) and there are no circumstances by reason of which there might not be an entitlement to full credit of all VAT chargeable or paid on inputs, supplies, and other transactions and imports made by it, (ii) has collected and timely remitted to the relevant Tax Authority all output VAT which it is required to collect and remit under any applicable Law; and (iii) has not received a refund for input VAT for which it is not entitled under any applicable Law.

(h) The Company is not 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 Part E2.

(i) The Company does not and has never participated or engaged in any transaction listed in Section 131(g) of the Ordinance and the Israeli Income Tax Regulations (Reportable Tax Planning), 5767-2006 promulgated thereunder nor is it subject to reporting obligations under Sections 131D or 131E of the Ordinance or Sections 67C and 67D or similar provisions under the Israel Value Added Tax law of 1975.

(j) The Company is not and has never 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.

(k) The Company is a resident for Tax purposes solely in its country of incorporation, and the Company is not and has never been subject to Tax in any jurisdiction other than its country of incorporation whether by virtue of having employees, a permanent establishment (within the meaning of an applicable Tax treaty), any other place of business in such jurisdiction or by virtue of exercising management and control in such jurisdiction. The Company is not, and has never been, treated as engaged in the conduct of a "trade or business" within the United States for purposes of Sections 875, 882, 884 or 1446 of the Code.

(l) Schedule 3.10(k) of the Disclosure Schedules sets forth a true, correct and complete list of any Tax exemption, Tax holiday or other Tax-sharing arrangement or order that the Company has in any jurisdiction, including the nature, amount and expiration date of such Tax exemption, Tax holiday or other Tax-sharing arrangement. The Company is in compliance with all terms and conditions required to maintain such Tax exemption, Tax holiday or other Tax-sharing arrangement or order of any relevant Governmental Entity and, to the Knowledge of the Company, the consummation of the transactions contemplated hereby will not have any adverse effect on the continuing validity and effectiveness of any such Tax exemption, Tax holiday or other Tax-sharing arrangement or order. The Company has never made any election to be treated or claimed any benefits as "Beneficial Enterprise" (Mifaal Mutay) or otherwise nor did it take any position of being a "Preferred Enterprise" (Mifaal Muadaf) or "Preferred Technological Enterprise" or otherwise under the Law for Encouragement of Capital Investments, 1959. The Company has not taken any position, or represented to any person, that it meets the requirements under the so called "The Angels Law" pursuant to Section 20 of the 2011-2012 Economic Policy Law (Legislation Amendments), 2011 and any amendments thereto.

(m) The Company has made available to Purchaser all documentation relating to any applicable Tax incentives. The Company and is in compliance with all the material requirements of all such Tax incentives and none of the incentives will be jeopardized by the consummation of the Merger.

(n) The Company has not been and will not be required to include any adjustment in Taxable income for any Tax period (or portion thereof) pursuant to Section 481 or 263A of the Code or any comparable provision under state, local or foreign Tax laws as a result of transactions, events or accounting methods employed prior to the Closing.

(o) The Company does not own any interest in any controlled foreign corporation pursuant to Section 75B of the Ordinance, or other entity the income of which is required to be included in the income of the Company. The Company is not and has never been a controlled foreign corporation (as defined in Section 957 of the Code) or passive foreign investment company (as defined in Section 1297 of the Code).

(p) The Company (i) is not a party to or bound by any Tax sharing, Tax indemnity, or Tax allocation agreement or (ii) does not have any Liability or potential Liability to another party under any such agreement, other than customary provisions in any commercial agreement entered into in the ordinary course of business that does not primarily relate to Tax matters.

(q) The Company has not taken a position in any Tax Return that would reasonably be expected to result in the imposition of penalties under Section 6662 of the Code (to the extent applicable) or any comparable provisions of state, local or foreign applicable Law.

(r) The Company has not participated in, and is not currently participating in, a "Listed Transaction" or a "Reportable Transaction" within the meaning of Section 6707A(c) of the Code or Treasury Regulation Section 1.6011-4(b), or any transaction requiring disclosure under a corresponding or similar provision of state, local, or foreign law (including Section 131(g) of the Ordinance).

(s) Neither the Company nor any predecessor of the Company is or has ever been a member of a consolidated, combined, unitary or aggregate group of which the Company or any predecessor of the Company was not the ultimate parent corporation.

(t) The Company does not have any Liability for the Taxes of any Person (other than the Company) under Section 1.1502-6 of the Treasury Regulations (or any similar provision of state, local or foreign law), as a transferee or successor, by operation of applicable Law, by Contract or otherwise.

(u) The Company will not be required to include any item of income in, or exclude any item of deduction from, Taxable income for any Taxable period (or portion thereof) ending after the Closing Date as a result of any (i) change in method of accounting for a Taxable period ending on or prior to the Closing Date, (ii) "closing agreement" described in Section 7121 of the Code (or any corresponding or similar provision of state, local, or foreign Tax law) executed on or prior to the Closing Date, (iii) intercompany transactions (including any intercompany transaction subject to section 367 or 482 of the Code) or any excess loss account described in Treasury Regulations under Section 1502 of the Code (or any corresponding or similar provision of state, local, or foreign Tax law) with respect to a transaction occurring on or prior to the Closing Date, (iv) installment sale or open transaction disposition made on or prior to the Closing Date, (v) election under Section 108(i) of the Code made on or prior to the Closing Date or (vi) prepaid amount received on or prior to the Closing Date.

(v) Other than as set forth in Schedule 3.10(u), the Company has not received any private letter ruling from the IRS (or any comparable Tax ruling from any other Governmental Entity).

(w) The Company is not a party to any joint venture, partnership or other Contract or arrangement that could be treated as a partnership for U.S. federal income Tax purposes.

(x) The Company has not received any official foreign government receipts for any Taxes paid by it to any foreign Tax Authorities for which receipts have been provided or are customarily provided.

(y) The Company is not, and it has never been, a "United States real property holding corporation" within the meaning of Section 897 of the Code, and the Company is not subject to Section 1.897-2(h) of the Treasury Regulations.

(z) The Company has not constituted either a "distributing corporation" or a "controlled corporation" in a distribution of share intended to qualify for Tax-free treatment under Section 355 of the Code (i) in the two years prior to the Agreement Date or (ii) in a distribution that could otherwise constitute part of a "plan" or "series of related transactions" (within the meaning of Section 355(e) of the Code) in conjunction with the transactions contemplated by this Agreement.

(aa) The Company has not made any classification election pursuant to Section 301.7701-3 of the Treasury Regulations other than the elections described in Section Error! Reference source not found..

(bb) The Company has not made any election statements under Section 83(b) of the Code.

(cc) The Company is not a party to any "nonqualified deferred compensation plans" (within the meaning of Section 409A of the Code). The Company is under no obligation to provide any gross up, indemnification, reimbursement or other payment for any Taxes, including any excise or additional Taxes, under Section 409A of the Code.

(dd) The Company is not subject to any transfer pricing laws and regulations. No Tax Authority has proposed, asserted or otherwise discussed with the Company the possibility of a transfer pricing adjustment or failure to comply with any transfer pricing requirements. No transfer pricing adjustment is reasonably expected to be proposed, asserted or raised by any Tax Authority with respect to the Company either before or after the Closing Date (i) with respect to any transactions that occurred prior to the Closing Date or (ii) as a result of any transfer pricing documentation being provided to any Tax Authority by the Company prior to Closing Date.

(ee) No individual classified by the Company as a non-employee (such as, an independent contractor, leased employee or consultant) was or will be considered as an employee of the Company by an applicable Tax Authority.

The Company complies, and have always been compliant, with the requirements of Section 85A of the Ordinance and the regulations promulgated thereunder in all material respects. All intercompany transactions between the Company and the US Subsidiary have met in all material respects the requirements of Section 85A of the Ordinance and the regulations promulgated thereunder (or any corresponding provision of applicable state, local or non-U.S. Tax Law)

SECTION 3.11 Conduct of Business. Other than as set forth in Schedule 3.11, since December 31, 2020, (i) the Company has operated only in the ordinary course of business consistent with past practice and there has not been or occurred any event, circumstance, change, effect or occurrence that would have or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect and (ii) the Company has not:

(a) (i) amended any of its Organizational Documents or (ii) merged or consolidated with, or acquired, by any means, the shares or assets of any other Person;

(b) taken any action for its winding up, liquidation, dissolution or reorganization or for the appointment of a receiver, administrator or administrative receiver, trustee or similar officer of all or any of its assets or revenues;

(c) made any change in its authorized share capital, issued any shares of share of any class, or issued or become a party to any subscriptions, warrants, rights, options, convertible securities or other agreements or commitments of any character relating to the issued or unissued share capital of the Company;

(d) (i) declared, set aside, established a record date for, made or paid any dividend or distribution (whether payable in cash, stock, property or a combination thereof) with respect to any of its share capital, (ii) split, combined or reclassified any shares of the Company's share capital or any other Equity Interests, (iii) purchased, redeemed or otherwise acquired any shares of the Company's share capital or any other Equity Interests or any rights, warrants or options to acquire any such shares or other securities, or (iv) made any other actual, constructive or deemed distribution in respect of any shares of the Company's share capital or other Equity Interests or otherwise make any payment(s) to any Shareholder in its capacity as such;

(e) sold or transferred any of its assets or property (including any Intellectual Property), except for sales of inventory and transfers of cash in payment of trade payables in the usual and ordinary course of business consistent with past practice;

(f) incurred any Lien, other than Permitted Liens, on any of its material assets or properties;

(g) suffered any material loss, or any interruption in use, of any material assets or property of the Company that is not fully covered by insurance, whether on account of fire, flood, riot, strike, act of God or otherwise;

(h) settled or compromised, or agreed to settle or compromise, any claim against the Company, or waived any material right of the Company;

(i) initiated any Proceeding, settled or compromised, or agreed to settle or compromise, any Proceeding initiated by or on behalf of the Company (except to the extent permitted by part (h) above);

(j) (i) incurred, assumed, sold or guaranteed any Indebtedness, (ii) paid, repaid, discharged or satisfied any Indebtedness, (iii) amended the terms of any Contract related to Indebtedness, (iv) made a loan or advance to any Person or (v) purchased any debt securities of any Person;

(k) made any material change to its accounting methods or practices;

(l) made or changed any Tax election; changed any annual Tax accounting period; adopted or changed any method of Tax accounting; filed any amended Tax Return; entered or changed into any litigation, settlement or final determination of any tax audit, claim, compromise, or other proceeding or assessment involving the Company and any resolution of any Tax liability or claim for any refund of Taxes or entered into any closing agreement (as described in Section 7121 of the Code or any corresponding or similar provision of state, local or non-U.S. Law); or surrendered any right to claim a Tax refund, offset or other reduction in Tax liability;

(m) sold, assigned, transferred, leased, or exclusively licensed any material Intellectual Property of the Company, or, other than in the ordinary course of business, granted non-exclusive licenses to any material Intellectual Property of the Company, disclosed any source code of any Company Software to any Person, disclosed any other material confidential information included in Owned Intellectual Property to any Person (other than to Purchaser and its Affiliates or pursuant to written, valid and binding non-disclosure agreements), or abandoned or permitted to lapse or otherwise fail to maintain in full force and effect any applications or registrations for material Owned Intellectual Property;

(n) revalued any of its assets, including writing down the value of inventory or writing-off notes or accounts receivable other than in the ordinary course of business consistent with past practice or as required by US GAAP;

(o) made any material change in the Company's cash management practices, including accelerating billing of customers or collection of receivables or delaying payment of any expenses or payables or taken any action with the intention of increasing the amount of Cash;

(p) (i) entered into any Contract for the purchase or lease of any additional real property or (ii) terminated or provided a notice of non-renewal of any lease of real property;

(q) (i) adopted or amended any (A) bonus, profit sharing, compensation, severance, share option, pension, retirement, deferred compensation, collective bargaining agreement, neutrality agreement or other labor agreement with any labor union or other collective bargaining representative, or (B) employment or other employee benefit plan, agreement, or arrangement for the benefit or welfare of any employee, officer, director or independent contractor or former director, employee, officer or independent contractor, (ii) except for salary increases made in the ordinary course of business consistent with past practice and not in excess of 2%, increased the compensation or benefits of any such persons or paid any material benefit not required by an existing Benefit Plan, or (iii) except with respect to the approval of this Agreement, taken any action that would, or would be reasonably likely to, result in the acceleration of vesting of any Company Option;

(r) (i) terminated the employment of any manager, officer or employee, or the engagement of any consultant or contractor, except in the ordinary course of business consistent with past practice or (ii) hired or terminated any employee, or engaged or terminated the engagement of any consultant or contractor, with a base salary or annual compensation in excess of $75,000;

(s) recognized any labor union or labor organization as the bargaining representative of any employees of the Company, or negotiated or agreed to any collective bargaining agreement or other Contract with a labor union or labor organization;

(t) entered into, amended, modified, terminated or received notice of termination of, or granted any waiver, release or assignment of any material rights or claims under, any Material Contract or

(u) entered into any commitment or agreement to do any of the foregoing.

The foregoing representations and warranties shall not be deemed to be breached solely by virtue of the entry by the Company into, or the Company's performance of, this Agreement or its consummation of the transactions contemplated by this Agreement or by any action taken after the date hereof at the written direction of or with the written consent of Purchaser.

SECTION 3.12 Contracts. Schedule 3.12 contains a list of the following Contracts which the Company is a party to, bound by, or has any obligation under (each Contract that is listed on Schedule 3.12 and each Contract that is required to be listed on Schedule 3.12, but is not so listed, a "Material Contract"), in each case as of the date hereof:

(a) Contracts containing (i) any covenant that restricts or purports to restrict the Company's right to compete, directly or indirectly, with any other Person in any geographic area, (ii) terms in which Company grants to a third party any "most favored nations" terms or an exclusive right to purchase from Company with respect to any product or geographic area, (iii) terms in which Company grants any "right of first offer" or "right of first refusal" to any other Person to acquire the Company or any assets or business thereof, or (iv) any provision in which Company grants exclusivity in favor of any third party;

(b) Contracts providing for an expenditure by the Company in excess of $50,000 in any given 12-month period or in excess of $100,000 in the aggregate;

(c) Company Intellectual Property Agreements;

(d) Any Contract pursuant to which the Company settled any dispute, or released or was released from any claim pertaining to, any Intellectual Property;

(e) Contracts providing for the Company's sale of products, the Company's provision of services, or the Company incurring warranty liability (i) in excess of $50,000 in any given 12-month period annually, in any such case (ii) pursuant to which the Company has agreed to indemnify or hold harmless the other party thereto for claims arising from any actions or inactions of a Person other than the Company or its Affiliates, agents, employees, officers and representatives, or (iii) pursuant to which the other party thereto has the right to setoff amounts owed to the Company against amounts claimed or owed against the other, or any Affiliate of any of them;

(f) Contracts pursuant to which the Company is obligated to sell products or to provide services to third parties which (i) the Company knows is at a price which would result in a net loss to the Company on the sale of such products or provision of such services, (ii) contain terms or conditions which the Company knows it will be unable, in any material way, to satisfy or fulfill, (iii) do not contain a limitation on the Company's liability for consequential damages, (iv) does not contain a cap on damages, or (v) provides that the Company pays liquidated damages; in each case in accordance with the terms of such Contract;

(g) Contracts with any Material Customer or Material Supplier;

(h) leases or subleases, either as lessee or sublessee or lessor or sublessor, of personal or real property;

(i) Contracts providing for an expenditure by the Company for the purchase, lease or sale of any real property;

(j) Contracts that are a profit-sharing, option, equity interest purchase, equity-based compensation, deferred compensation or other plan or material arrangement for the benefit of, or relating to, current or former directors, officers, managers, independent contractors or employees of the Company;

(k) Contracts pursuant to which any Transaction Expenses are payable;

(l) Contracts relating to Indebtedness or any Lien, including any loan or credit agreements, pledge agreements, notes, security agreements, mortgages, debentures, indentures, or letters of credit;

(m) Contracts relating to the acquisition or disposition of a Person or business (i) during the last five years or (ii) pursuant to which the Company has any continuing rights or obligations;

(n) Contracts providing for indemnification of any officer, director, employee, or agent of the Company (other than commercial Contracts entered into in the ordinary course of business with the Company's vendors, customers or partners);

(o) Contracts involving a partnership, joint venture or the sharing of profits or losses, and any stockholder or limited liability company agreements;

(p) collective bargaining agreements, neutrality agreements, card-check agreements, or other Contracts of any kind with a labor union, works council, or other labor organization with respect to any employee of the Company;

(q) Contracts with any employee leasing or staffing company by which such employee leasing or staffing company's employees or contractors provide services to the Company;

(r) Contracts requiring payments from, or providing for payments to, the Company in excess of $50,000 per annum that are not cancelable by the Company without penalty on 30 days' notice or less that are not specifically described on any other Schedule to this Agreement;

(s) Contracts relating to any interest rate, currency, commodity derivatives, hedging, or similar transaction;

(t) Contracts with a Related Party;

(u) Contracts containing continuing obligations of the Company relating to any resolution or settlement of any actual or threatened Proceeding; and

(v) Contracts containing any revocable or irrevocable power of attorney granted to any Person for any purpose whatsoever.

(w) Contracts providing for Government Grants from any governmental authority;

The Company has provided to Purchaser a complete and accurate copy of each Material Contract, together with all amendments, exhibits, attachments and waivers thereto. Each Material Contract is legal, valid, binding upon and enforceable against the Company in accordance with its terms and, to the Company's Knowledge, the other parties thereto. The Company has not materially breached any Material Contract or received any written (or, to the Company's Knowledge, verbal) notice alleging that a material breach or default by the Company has occurred thereunder and, to the Company's Knowledge, no material breach or default by the other contracting parties has occurred thereunder. Except as set forth on Schedule 3.12, no event has occurred which, with the passage of time or the giving of notice, or both, would constitute, a material default under or a violation of any Material Contract by the Company or, to the Company's Knowledge, any other party to such Material Contract. Except as set forth on Schedule 3.12, the Company has not received any written or, to the Company's Knowledge, oral notification that any party to a Material Contract intends to cancel, terminate, materially adversely modify, refuse to perform or refuse to renew such Material Contract (if such Material Contract is renewable).

SECTION 3.13 Permits. The Company possesses, and has possessed, all material Permits that are required under applicable Law or necessary in order for the Company to conduct its business as presently conducted or then conducted, as applicable, the lack of which is could have a Material Adverse Effect. The operation of the business of the Company as currently conducted is not, and has not been in violation of, nor is the Company in default or in violation under any Permit, and no event has occurred which, with notice or the lapse of time or both, would constitute a default or violation of any material terms, condition or provision of any Permit, except in each case where such default or violation of such Permit would not reasonably be expected to be material to the Company. There are no actions pending or, to the Company's Knowledge, threatened, that seek the revocation, cancellation or adverse modification of any Permit, except where such revocation, cancellation or adverse modification of any Permit would not reasonably be expected to materially impair the ability of the Company to conduct the business as presently conducted and perform its obligations hereunder. The Company has not received or been subject to any written notice, charge, claim or assertion, or, to the Company's Knowledge, any other notice, charge, claim or assertion, in each case alleging violations of any Permit, nor to the Company's Knowledge, has any such notice, charge, claim or assertion been threatened, except where the receipt of such notice, charge, claim or assertion would not reasonably be expected to, individually or in the aggregate, materially impair the ability of the Company to conduct its business as currently conducted or to perform its obligations hereunder. Except as set forth on Schedule 3.13, the business of the Company and its Subsidiaries does not involve the use or development of, or engagement in, encryption technology, or other technology whose development, commercialization, marketing or export requires the Company or any of its Subsidiaries' to obtain a license from any Governmental Authority, including, without limitation, the Israeli Ministry of Defense or an authorized body thereof pursuant to Section 2(a) of the Declaration Regarding the Control of Commodities and Services (Engagement in Encryption Means), 1974, or under any other Law regulating the development, commercialization, marketing, or export of technology, knowledge, services or goods (including, without limitation, the Israeli Defense Export Control Law, 2007, the Israeli Order of Import and Export (Control of Export of Dual Use Goods, Services and Technologies), 2006, or the Israeli Trading with the Enemy Ordinance, 1939).

SECTION 3.14 Litigation. There are no, and there have not been since June 1, 2016, any Proceedings of any kind or nature, in law or equity, pending or, to the Company's Knowledge, threatened (i) against the Company or any assets of the Company or used by the Company or any Person whose liability for such Proceeding has been retained or assumed by the Company, either contractually or by operation of law; (ii) that challenges, or that may have the effect of preventing, delaying, making illegal or otherwise interfering with, any of the transactions contemplated by this Agreement; or (iii) that relates to the ownership of any Company Shares, or any Company Option or other right to Company Shares or other securities of the Company, or right to receive consideration as a result of this Agreement. To the Knowledge of the Company, no event has occurred, and no claim, dispute or other condition or circumstance exists, that will or could reasonably be expected to, give rise to or serve as a basis for the commencement of any such Proceeding. The Company is not a party to, or specifically subject to, any Order or in receipt of a subpoena, civil investigative demand, warrant, or other type of request for documents or information by a Governmental Entity.

SECTION 3.15 Compliance with Laws.

(a) The Company is, and at all times has been, in compliance in all material respects with all applicable Laws and Orders. The Company has not received any written or, to the Company's Knowledge, oral notice of violation of any applicable Law or Order and, to the Company's Knowledge, no investigation by any Governmental Entity is pending with respect to any actual or alleged violation of Law by the Company or any of its officers, directors or employees (in their capacity as such).

(b) Neither the Company nor any of its Affiliates or any of its or their officers or directors, (in their capacity as such), nor to the Company's Knowledge, any employees, consultants, contractors agents, or other Persons acting for or on behalf of the Company or any of its Affiliates (i) has been or is designated on, or is owned or controlled by any Person that has been or is designated on, any list of any Governmental Entity as Persons with whom U.S. Persons cannot transact, including the U.S. Office of Foreign Assets Control's Specially Designated Nationals and Blocked Persons List, (ii) is a national of, organized under the Laws of, or resident in any country or territory which is itself the subject of any economic sanctions by any Governmental Entity or (iii) has been convicted of a criminal offense that would trigger exclusion pursuant to 42 USC 1320a-7(a) or is listed or has been listed by a Federal or State agency as currently suspended, debarred, excluded, or otherwise ineligible for State or Federal healthcare program participation.

(c) Neither the Company or any of its Affiliates, nor, to the Company's Knowledge, any Person acting or purporting to act on behalf of the Company or any of its Affiliates or with respect to the business of the Company has at all times, directly or indirectly, (i) made or received any payment which was not legal to make or receive, (ii) improperly given, offered, promised or authorized the giving of money or anything of material value to any government official or employee (including officials or employees of state-owned or controlled businesses and institutions), political party or campaign official, candidate for foreign political office, official or employee of a public international organization, or any other person acting on behalf of any of the foregoing, or (iii) engaged in any conduct constituting a violation of Sections 290-297 of the Israeli Penal Law 1977, the U.S. Foreign Corrupt Practices Act of 1977 and the regulations promulgated thereunder, the UK Bribery Act of 2010, or any similar Law. No investigation or Proceeding relating to any payment described in this Section 3.15(c) that was made, or is alleged to have been made, by or on behalf of the business of the Company is pending before any Governmental Entity, or, to the Company's Knowledge, is any such Proceeding threatened.

SECTION 3.16 Real Property.

Except as set forth on Schedule 3.16:

(a) The Company does not own, and has never owned, any real property.

(b) The Company does not currently lease any real property, and does not have any liabilities or obligations with respect to any lease (whether current or former).

SECTION 3.17 Environmental Matters.

(a) The Company is, and at all times has been, in compliance in all material respects with all applicable Environmental Laws.

(b) The Company possesses all material environmental Permits that are required for the operation of its business.

(c) The Company has not received any notice, written or otherwise, from any Governmental Entity regarding any actual or alleged material violation of any Environmental Laws, including any investigatory, remedial or corrective obligations relating to the Company or the Leased Real Property arising under Environmental Laws.

SECTION 3.18 Intellectual Property.

(a) Schedule 3.18(a)(i) sets forth a complete list of the following that are owned by the Company: (i) patented or registered Intellectual Property, (ii) pending patent applications and applications for other registrations of Intellectual Property, (iii) material unregistered trademarks and service marks, (iv) domain name registrations, (v) Company Software, (vi) inventions that are being tracked or considered for possible patent filings, and (vii) social media accounts (all of the foregoing, together with all other Intellectual Property that the Company owns or purports to own, being the "Owned Intellectual Property"). The Company possesses good, valid and legal title to, and solely owns all right, title and interest in, all of the Owned Intellectual Property, free and clear of any and all Liens except for Permitted Liens (*provided*, *however*, that the above representation shall apply, with respect to items (ii), (iii) and (vi), subject to the Company's Knowledge). Without derogation from the aforesaid in this Section 3.18(a), each item of Owned Intellectual Property is subsisting and with respect to the items listed in (i) and (iv), valid and enforceable. Schedule 3.18(a)(ii) sets forth a complete list of patent applications that have been filed by the Company that are now abandoned. Schedule 3.18(a)(iii) sets forth a complete list of written opinions or memoranda procured by the Company providing analysis or recommendations regarding freedom to operate, patentability or other patent clearance or infringement analysis searches performed in respect of any Company Software or product or service sold, licensed or otherwise provided by the Company (each a "Company Product"), including any Company Product that employs any Company Software.

(b) Schedule 3.18(b) sets forth a complete list of all: (i) Contracts (other than ordinary course licenses of commercially available software granted pursuant to shrinkwrap, click-wrap, or other standard license agreements requiring annual payments of less than $5,000) pursuant to which the use by the Company of Intellectual Property is permitted by any Person, including as a beneficiary of a covenant not to sue or similar covenant (the "Intellectual Property Licenses" and together with the Owned Intellectual Property, the "Company Intellectual Property"), (ii) Contracts pursuant to which the Company licenses or sublicenses any Intellectual Property to any Person (including by granting a covenant not to sue or similar restrictive covenant), other than (A) non-exclusive licenses granted to vendors and other contractors solely for the purposes of providing services to Company and (B) non-exclusive licenses granted to customers and distributors of Company in the ordinary course of business consistent with past practice, (iii) Contracts pursuant to which Company settled any dispute, or released or was released from any claim pertaining to, any Intellectual Property and (iv) Contracts pursuant to which any Owned Intellectual Property was developed for the Company or the Company's ownership of which was otherwise procured by the Company (the Intellectual Property Licenses, together with the Contracts identified in items (ii) through (iv) above, the "Company Intellectual Property Agreements"). All of the Company Intellectual Property Agreements are in full force and effect and are valid and enforceable in accordance with their terms. The Company and, to the Company's Knowledge, each other Person that is party to such Company Intellectual Property Agreement, is in material compliance with all terms and requirements of such Company Intellectual Property Agreement. The consummation of the transactions contemplated by this Agreement will not extinguish, reduce or limit any rights of the Company in any Owned Intellectual Property, under any Company Intellectual Property Agreement, or extinguish, reduce or limit any obligations of any counterparty to any Company Intellectual Property Agreement under any such Company Intellectual Property Agreement.

(c) Other than as set forth in Schedule 3.18(c), the conduct of the Company's business as currently conducted or as previously conducted, the exercise of the rights of the Company relating to the Company Intellectual Property, and the products and services offered by or on behalf of the Company at any time (whether by sale, license or otherwise) infringe upon, misappropriate or otherwise violate (or have infringed upon, misappropriated or otherwise violated) the Intellectual Property of any Person (*provided*, *however*, that the above representation if provided, with respect to any Company Intellectual Property which is not (i) patented or registered Intellectual Property, (ii) domain name registrations, and (iii) Company Software, is subject to the Company's Knowledge). Other than as set forth in Schedule 3.18(c), the Company has not received any written notice of any claims, and, to the Company's Knowledge, there are no pending claims, of any Persons relating to the scope, ownership, validity, enforceability or use of any of the Company Intellectual Property. The Company has not been sued or charged as a defendant in any Proceeding alleging the Company's infringement, misappropriation, or other violation of any Intellectual Property of any Person, nor has any written claim or demand been made against the Company nor, to the Knowledge of the Company, otherwise been threatened against the Company (including by an "invitation" to license as a means to avoid infringement or potential infringement) alleging the Company's infringement, misappropriation, or other violation of any Intellectual Property of any Person.

(d) Other than as set forth in Schedule 3.18(d), to the Company's Knowledge, no Person is misappropriating, infringing, diluting or otherwise violating any of the Owned Intellectual Property. No Intellectual Property or other proprietary right misappropriation, validity, enforceability, infringement, dilution or violation actions or Proceedings have been brought or otherwise asserted against any Person by the Company. The Company has taken commercially reasonable measures to maintain and protect Company Intellectual Property, including to protect its rights in and the confidentiality of the source code of the Company Software, its other confidential information and trade secrets and the confidential information and trade secrets of third parties that have been disclosed to the Company in confidence. In respect of the confidential information and trade secrets of third parties, the Company has complied in all material respects with its obligations to such third parties under any written confidentiality or non-disclosure agreements relating to such confidential information and trade secrets.

(e) The Owned Intellectual Property, including any Software that is owned by the Company and that constitutes Owned Intellectual Property (the "Company Software"), was (i) developed by employees of the Company within the scope of their employment who assigned any Intellectual Property and related rights that they may have in or to such Owned Intellectual Property to the Company pursuant to valid and enforceable written agreements; or (ii) developed by independent contractors who assigned any Intellectual Property or related rights that they may have in or to such Owned Intellectual Property to the Company pursuant to valid and enforceable written agreements.

(f) Except as provided in Section 3.18(f), no university, military, educational institution, research center, Governmental Entity, entity owned or controlled by any Governmental Entity, hospitals, medical centers or other similar institutions or organization (each, an "R&D Sponsor") has sponsored or provided funding to the Company or the Company's Subsidiaries for any research and development conducted in connection with the business of the Company and the Company's Subsidiaries, or has any claim of right to, ownership of or other Lien, or rights to royalties or other consideration on any Company Intellectual Property. Neither the Company nor any of its Subsidiaries is a participant in any standards-setting activities or joined any standards setting or similar organization that would affect the proprietary nature of any Company Intellectual Property or restrict the ability of the Company or any of the Company's Subsidiaries to enforce, license or exclude others from using any Company Intellectual Property, in each case, except as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. To the Knowledge of the Company, none of the employees, consultants or independent contractors of the Company or any of its Subsidiaries who is or was involved in, or who has or will have contributed to, the creation or development of any of the Company Intellectual Property was, during the time period in which such Person was engaged by the Company or any of its Subsidiaries, an employee of any R&D Sponsor. Except as provided in Section 3.18(f), all Company Software or any products or Intellectual Property under development by Company or any of its Subsidiaries uses or incorporates Intellectual Property that was developed by the Company or any of its Subsidiaries using funding provided by the IIA. Section 3.18(f) sets forth the amount of each Government Grant received by the Company or any of its Subsidiaries from any R&D Sponsor and with respect to each of such Government Grants provided by the IIA: (a) the Benefit Track Number; (b) the file number; (c) file approval date; (d) aggregate amount received; (e) current royalty repayment rate in %; and (f) aggregate royalties repaid.

(g) R&D Sponsor Government Grants

(i) Except as set forth in Section 3.18(g), none of the Company and its Subsidiaries has applied for, nor received any, Government Grant, from any R&D Sponsor.

(ii) The Company has duly paid all royalties due which apply to each specific Government Grant relevant to any Company Intellectual Property (whether IIA Funded Intellectual Property or otherwise), and there have been no disputes or disagreements with the relevant R&D Sponsor (whether the IIA or otherwise) with respect to such.

(iii) The Company submitted to each R&D Sponsor (including the IIA) all the required notices with respect to each non-Israeli Person as required pursuant to the R&D Law, including the form of undertaking that the R&D Law requires be signed by each such non-Israeli Person.

(iv) To the Company's Knowledge and as evidence by written records, the Company is not required to pay any royalties on account of its development and License Agreement with DePuy Ireland Unlimited Company, dated December 9, 2019.

(v) No Lien was ever created with respect to any IIA Funded Intellectual Property and no such IIA Funded Intellectual Property has ever been put in escrow.

(vi) The Company is not, and has not, manufactured (whether by itself or by any other Person), or provided manufacturing rights to another, outside of Israel in any fashion that uses or incorporates IIA Funded Intellectual Property and has not submitted any request to the IIA for permission to do so. The Company has not transferred (including, but not limited to, by way of disclosure of such know-how, deposit in escrow or granting license rights) any IIA Funded Intellectual Property, and has not submitted any request to the IIA for permission to do so. Furthermore, the royalty repayment cap of any Government Grant relevant to the IIA Funded Intellectual Property has not been increased nor has the royalty repayment rate (set forth in Schedule 3.18(f)) been increased – whether or not conditionally.

(vii) The Company has made available to the Purchaser all material letters of approval, certificates of completion, supplements or amendments thereto for Government Grants received by the Company from any R&D Sponsor and all material correspondence related thereto. In each application submitted by or on behalf of the Company (including, without limitation, with respect to IIA Funded Intellectual Property), all material information required by such application has been disclosed accurately and completely in all material respects.

(viii) With the exception of standard restrictions and obligations relating to the receipt of Government Grants from the IIA, there are no other undertakings, restrictions or obligations of the Company or its Subsidiaries in connection with any Government Grant provided with respect to the IIA Funded Intellectual Property. The Company is in compliance with the terms and conditions of all Government Grants received by the Company from any R&D Sponsor (including, without limitation, with respect to IIA Funded Intellectual Property) and the Company has duly and timely fulfilled all the undertakings relating thereto.

(h) The Company does not use or employ in the conduct of its business as currently conducted (including in connection with the sale, license or other provision of products or services to customers or other third parties) any Company Software or other Intellectual Property developed for or provided to a customer of the Company by or on behalf of the Company that the Company has assigned or is obligated to assign to such customer, other than as permitted by the Company's valid, binding and written agreement with such customer.

(i) Schedule 3.18(i) is a complete and accurate list of all Contracts pursuant to which the Company has granted, or is obligated to grant in the future, to any third party a license, option, or other right to use or acquire any source code of any Company Software or of any other Software included in the Company Intellectual Property ("Company Source Code"), or has provided, disclosed, or made available, or is obligated to provide, disclose, or make available in the future, to any third party any Company Source Code, including any Contracts that provide for source code escrow arrangements (the "Source Code Licenses"). No Company Source Code has been provided to employees or contractors of the Company except on a need-to-know basis. No Company Source Code has been provided, disclosed, or made available to any third party except under a valid, binding, written confidentiality agreement or a Source Code License listed on Schedule 3.18(i), or has otherwise been provided, disclosed, or made available to the public.

(j) The Company has not incorporated into any Company Software, or otherwise used, linked, included or derived from or distributed with any Company Software any Open Source Code in a manner that that (i) requires the Company to disclose to any third party any source code of any Company Software; (ii) requires the Company to license a third party to create any derivative work based on any Company Software; (iii) requires the Company to license, or restricts the Company from licensing, any Company Software to any third party; or (iv) requires the Company to grant any patent rights including non-assertion or patent license obligations. The Company has complied in all material respects with all obligations under each Open Source License to which the Company is subject, and Schedule 3.18(i) is a complete and accurate list of all Open Source Code (or URLs to the applicable pages containing Open Source Code) that is used in, linked to or called by, incorporated into, included or distributed with, or from which any Company Software is derived, and identifies the purpose for which such Open Source Code is used, the Open Source License pursuant to which such Open Source Code is licensed, and the source from which such Open Source Code was acquired.

(k) No Company Software and, to the Company's Knowledge, no Software licensed to the Company, contain any time bomb, virus, worm, Trojan horse, back door, drop dead device, or any other Software designed to disable any other Software or any computer or system automatically, with the passage of time, under the positive control of any Person, or otherwise, to materially interfere with its normal operation, to allow circumvention of security controls, or that is otherwise intended to cause damage to hardware, Software or data (collectively, "Malicious Code").

(l) All Company Software and all other Software licensed to Company pursuant to an Intellectual Property License, that (i) is material to the operation of the Company, (ii) is distributed, sold, licensed, sublicensed, marketed or otherwise provided to third parties by the Company, (iii) is used or held for use by the Company in connection with its business, or (iv) is owned by the Company and used in the ordinary course of business to provide Company's services is, (A) in the possession, custody and control of the Company or, with respect to Software licensed to Company pursuant to an Intellectual Property License, Company's vendors, along with all hardware and software tools, documentation, and other materials used by the Company to exploit the Company Software and such other Software in the ordinary course of business, and such Company Software, other Software and related tools and materials will remain so immediately after Closing and (B) has been catalogued and documented as reasonably necessary to enable competently skilled programmers and engineers to use, update and enhance such items by readily using the existing source code, engineering drawings, machine settings and documentation (collectively, the "Company Software Documentation"), and the Company Software Documentation is in the possession and control of the Company. The source code of the Company Software is contained within a code repository identified on Schedule 3.18(k).

(m) No Company Software or other Owned Intellectual Property is subject to any Order that restricts, impairs or otherwise imposes any obligation with respect to the validity, enforceability, disclosure, use, enforcement, prosecution, maintenance, transfer, licensing or other exploitation of Company Software or other Owned Intellectual Property.

SECTION 3.19 Data Protection; Privacy.

(a) The Company has established and maintains the policies relating to the data and information processed by or on behalf of the Company, including by any third party on behalf of the Company ("Company Data"), as are set forth on Schedule 3.19(a) ("Company Data Policies"). All such Company Data Policies comply with applicable Data Requirements. The Company has disclosed to Purchaser complete and accurate copies of all Company Data Policies. The Company is in compliance with all Company Data Policies.

(b) Except as set forth on Schedule 3.19(b): (i) the Company is in material compliance with all Data Requirements, (ii) the Company has not received any written notice alleging any failure to comply with any applicable Data Requirements, and (iii) there is no Proceeding pending against the Company by any Person with respect to any actual or alleged violation of any Data Requirements, or any Company Data or the Processing thereof, and to the Company's Knowledge there is no reasonable basis for any such investigation, proceeding or other action. The consummation of the transactions contemplated by this Agreement will not cause the Company to violate any Data Requirement.

(c) The Company maintains commercially reasonable and appropriate technical, administrative, and physical safeguards and measures that are designed to (i) ensure the availability, integrity, security, and confidentiality of the Company Information Systems and Company Data; (ii) protect against any Security Incident; and (iii) protect against any anticipated threats or hazards to the security or integrity of Company Data or Company Information Systems.

(d) Except as set forth on Schedule 3.19(d), (i) there has been no Security Incident, (ii) the Company has not received any notice alleging the occurrence of any Security Incident, (iii) no Person (including any Governmental Entity) has commenced any Proceeding with respect to any Security Incident and (iv) the Company has not notified and, to the Company's Knowledge, there have been no facts or circumstances that would require the Company to notify, any other Person (including any Governmental Entity) of any Security Incident or any violation of any Data Requirement.

SECTION 3.20 Information Technology.

(a) The Company has taken commercially reasonable steps to ensure the systems, devices, networks, and equipment, including hardware, computers, servers, storage devices, workstations, peripherals, routers, hubs, switches, sensors, and other systems, devices or equipment, and all Software operating on or in connection with such systems, devices, networks or equipment, that are used or held for use in the conduct of the business of the Company (the "Company Information Systems") are reasonably adequate for the operation of the businesses of the Company as currently conducted[, and the Company has purchased a sufficient number of license seats for all Software currently used by or on behalf of the Company. With respect to the Company Information Systems: (i) the Company has taken commercially reasonable steps and implemented commercially reasonable procedures to ensure, or, in the case of Company Information Systems not controlled or configured by the Company, has contractually required its vendor or contractor to implement commercially reasonable procedures to ensure, that such Company Information Systems do not include any Malicious Code, which procedures include the use of antivirus software to protect such Company Information Systems from becoming infected by any Malicious Code; (ii) except as set forth on Schedule 3.20(a), to the Company's Knowledge, there has not been any material malfunction or any material unplanned downtime or service interruption in or affecting any Company Information System; (iii) the Company has taken commercially reasonable steps and implemented commercially reasonable procedures to manage its licenses to all Software that is a component of the Company Information Systems controlled or configured by the Company and ensure compliance with the terms of such licenses and have fully complied with all vendor-initiated audits of usage of such Software; and (iv) the Company has taken commercially reasonable steps and implemented commercially reasonable procedures to mitigate risks that the Company Information Systems will be used or accessed by persons other than Company employees, contractors or other authorized personnel or other than in a manner in which such personnel are authorized to use or access the Company Information Systems. The Company has taken commercially reasonable measures to provide for system redundancy and back-up of data and material information in a commercially reasonable manner and has exerted commercially reasonable efforts to avoid disruption or interruption to the business of the Company.

(b) The Company is not obligated to support or maintain any of the Company Software except pursuant to Contracts with customers in the ordinary course of business or as set forth in Schedule 3.20(b).

SECTION 3.21 Employee Benefits.

(a) Schedule 3.21(a) sets forth a complete and accurate list of all Benefit Plans. The Company has made available to Purchaser, with respect to each Benefit Plan listed on Schedule 3.21(a) (to the extent applicable thereto), copies of the plan document, as currently in effect, or, if such Benefit Plan is not in writing, a written description of the material terms of such Benefit Plan.

(b) Each Benefit Plan, including any related trust or other funding arrangement, has been established, maintained, funded, and administered, in all material respects, in accordance with its terms and in compliance with applicable Laws.

(c) Except as would not reasonably be expected to result in a material Liability to the Company, all contributions, premiums and other payments required to have been made by the Company to the Benefit Plans prior to the Closing Date have been (or will be) timely made or provided for prior to the Closing in accordance with past practice. All insurance premiums have been paid in full, subject only to normal retrospective adjustments in the ordinary course, with regard to the Benefit Plans for policy years or other applicable policy periods ending on or before the Closing Date. Full payment has been made of all amounts due under each of the Benefit Plans and to each person employed or formerly employed by the Company that are required under the terms of the Benefit Plans to have been paid, and all obligations regarding the Benefit Plans required to be satisfied prior to the date hereof have been satisfied in all material respects in accordance with the terms of the Benefit Plan.

(d) Other than as stated in the governing documents of such Benefit Plans made available to Purchaser or as required under Law, each Benefit Plan may be amended, modified or terminated without advance notice to or consent by any employee or beneficiary, and without liability for any payment or penalty, other than benefits accrued as of the date of such amendment, modification or termination and administrative expenses. Except as set forth in such Benefit Plan, the Company has not (i) undertaken to maintain any Benefit Plan for a period of time or (ii) announced its intention, or undertaken (whether or not legally bound), to modify (other than as required to maintain such Benefit Plan in compliance with applicable Law) or terminate any Benefit Plan or adopt any arrangement or program which, once established, would come within the definition of Benefit Plan.

(e) Except as explicitly required by the terms of this Agreement or as set forth on Schedule 3.21(e), neither the execution of this Agreement nor the consummation of the transactions hereunder will (whether alone or together with any other event or events, including termination of employment) (i) entitle any current or former Company officer, director, employee or independent contractor to any increase in any compensation or benefits due under any Benefit Plan, (ii) accelerate the time at which any compensation, benefits or award may become payable, vested or required to be funded in respect of any current or former Company officer, director, employee or independent contractor, (iii) entitle any current or former Company officer, director, employee or independent contractor to any compensation or benefits or (iv) require any contributions or payments to fund any obligations under any Benefit Plan.

(f) Except as set forth on Schedule 3.21(f), there are no claims (other than routine claims for benefits, appeals of such claims and domestic relations order proceedings) pending or, to the Company's Knowledge, threatened with respect to (or against the assets of) any Benefit Plan that would reasonably be expected to result in a material liability to the Company. Except as set forth on Schedule 3.21(f), to the Company's Knowledge, no Benefit Plan is, or was during the last three years, under audit or investigation by any Governmental Authority, nor is any such plan the subject of an active filing under any voluntary compliance, amnesty, closing agreement or other similar program sponsored by a Governmental Entity, and no completed audit, compliance filing or closing agreement has resulted in the imposition of any material Tax, interest or penalty that has not been satisfied.

SECTION 3.22 Employees; Labor.

(a) There has not been, nor to the Company's Knowledge has there been a written threat of, any union organizing, labor strike, labor dispute, walkout, slowdown, picketing, refusal to cross picket lines, stoppage or lockout pending concerning the Company or involving any employee of the Company. The Company is not party to or bound by any collective bargaining agreement, Contract or other agreement or understanding, or any duty to bargain, with a labor union, works council or other labor organization, and, to the Company's knowledge, no labor union, works council or labor organization represents any employees of the Company in respect of their employment with the Company. There is not pending any request or demand that the Company recognize any labor organization as the bargaining representative of any employees of the Company, and no petition for election or unfair labor practice charge is pending or, to the Company's Knowledge, threatened to be filed with any Governmental Authority.

(b) Schedule 3.22 contains a list of all the current Company Service Providers who receives an average monthly payment of more than US$ 1,000 as of the date of this Agreement has been made available to the Purchaser via a virtual data room and correctly reflects (i) their dates of employment; (ii) their job titles and positions; (iii) work location; (iv) employment classifications (including whether each Company Service Provider is (A) full-time or part-time, (B) hourly or salaried and (C) an employee, contractor or intern); (v) classification as exempt or non-exempt under applicable overtime, wage and hour regulation, including the Hours of Work and Rest Law, 1951; (vi) all compensation and benefits to which each such person is entitled, including their hourly rate of compensation (in case of hourly workers), monthly base salary or annual salary, any other compensation payable to them, whether in cash or otherwise (including housing allowances, cash compensation payable pursuant to bonus, deferred compensation, travel allowances or commission arrangements), social benefits (including *bituach menahalim* and *keren hishtalmut*), recuperation pay entitlement or other benefits, and each Company Employee Plan in which they participate or are eligible to participate; (vi) the number of hours and days of sick time to which such persons are entitled and which have accrued; (vii) the vacation days to which such persons are entitled, annual entitlement to vacation days and their accrued and unpaid vacation days; (viii) length of notice period required in order to terminate their employment, if any; (ix) automobiles and other benefits in kind; and (x) their respective contribution rates and the salary basis for such contributions and whether such persons are subject to the arrangement set forth in Section 14 of the Israeli Severance Pay Law, 1963 (the "Section 14 Arrangement") (and, to the extent any such person 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 or her employment and on the basis of his or her entire salary); (xii) their most recent compensation increase including the date and amount thereof; (xiii) whether such persons are on leave or scheduled to be on leave (and if so, the category of leave, the date on which such leave commenced or will commence and the date of expected return to work) and (xiv) visa status, if applicable.

Except as set forth on Schedule 3.22(b), no promises or commitments have been made to any of the Company Service Providers, whether in writing or orally, with respect to any future changes or additions to their compensation or benefits. All Company Service Providers are properly classified and to the Company's Knowledge, no Company Service Provider which is not an employee of the Company or the US Subsidiary would not reasonably be expected to be reclassified by any Governmental Entity as an employee of the Company or the US Subsidiary, and all such Persons' agreements contain provisions which state that no employer-employee relations exist between such Persons and the Company. No Company Service Providers who is not an employee of the Company or the US Subsidiary is entitled to any rights under any applicable labor laws. All current and former Company Service Providers have received all of their rights to which they are and were entitled according to applicable Laws and their contracts with the Company. Except as set forth on Schedule 3.22(b), the Company does not engage any personnel through manpower agencies.

(c) Without derogating from any of the above representations, the Company's liability towards Company's employees regarding severance pay, accrued vacation and contributions to all Company Employee Plans 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. The Section 14 Arrangement was properly applied for in accordance with the terms of the general permit issued by the Israeli Minister of Labor regarding all former and current employees of the Company who reside in Israel based on their full salaries and from their commencement date of employment. All amounts that the Company is legally or contractually required to either (i) deduct from its employees' salaries and any other compensation or benefit or to transfer to such employees' Company Employee Plan or (ii) withhold from employees' salaries and any other compensation or benefit and to pay to any Governmental Entity as required by any Applicable Laws have in either case 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).

(d) The Company is, at all times has been, in material compliance with all applicable Laws respecting labor and employment, employment practices, and terms and conditions of employment. (i) each employee performing service for the Company has been classified properly as exempt or non-exempt under applicable Law concerning wages and hours of employment, and (ii) each Person performing services for the Company as a volunteer, contractor or other non-employee classification has been properly classified as such by the Company.

(e) All payments to Company Service Providers made by the Company have been in payment of bona fide fees and commissions and not as bribes, kickbacks or as otherwise illegal or improper payments. All such payments have been made directly to the parties providing the goods or services for which such payments were made, and no such payment has been paid in a manner intended to avoid currency controls or any party's Tax reporting or Tax payment obligations. The Company has properly, fairly and accurately reflected on its books and records: (i) all compensation paid to and perquisites provided to or on behalf of its agents and employees; and (ii) all compensation and perquisites that are due and payable or deferred and payable to such persons, but which have not been paid or provided at the Closing Date. Such compensation and perquisites have been properly and accurately disclosed in the respective Financial Statements and other public or private reports, records or filings of the Company, to the extent required by Law.

(f) The Company has been, operated in compliance in all material respects with all Applicable Laws relating to employment, termination of employment and labor matters, including but not limited to, discrimination in employment, terms and conditions of employment, worker classification (including the proper classification of workers as independent contractors, consultants and advisors), wages, pay slips, working hours, overtime and overtime payments, working during rest days, social benefits contributions, termination and severance payment and engaging employees through services providers (including manpower employees and service providers in accordance with the Israeli Law for Strengthening the Enforcement of Labor Laws-2011), collective bargaining, extension orders, civil rights, safety and health, immigration, work-authorization, privacy issues, fringe benefits, employment practices and the collection and payment of withholding or social security taxes and any similar tax. The Company does not have any outstanding obligations with respect to non-payment of wages. The Company did not receive written notice of complaints, charges or claims against the Company, and there are no controversies, complaints, charges or claims pending or, to the Knowledge of the Company, threatened, between the Company and any current or former Company's employees, based on, arising out of, in connection with or otherwise relating to the employment or termination of employment or failure to employ by the Company, of any individual or Company Service Providers, which controversies have resulted or would reasonably be expected to result in a Proceeding before any Governmental Entity.

(g) Except as set forth on Schedule 3.22(h), the Company has paid in full to each employee all wages, salaries, commissions, bonuses and other compensation due to such Person as of the date hereof and as of the Closing Date.

(h) To the Company's Knowledge, no current or former officer, director or employee of the Company is a party to, or is otherwise bound by, any agreement or arrangement, including any confidentiality, non-competition, non-solicitation or proprietary rights agreement, between such employee, officer or director and any other Person that in any way adversely affected, affects or may affect (i) the performance of his or her duties as an employee, officer or director of the Company, or (ii) the ability of the Company to conduct business. Except as set forth on Schedule 3.22(h), no third party has notified the Company that any Person currently or formerly engaged or employed by the Company (i) has violated any of the terms or conditions of any employment, non-competition, non-solicitation or non-disclosure agreement that such Person has entered with any third party, (ii) has disclosed or utilized any trade secret or proprietary information or documentation of any third party, or (iii) has interfered in the employment relationship between any third party and any of such third party's present or former employees. The Company is not obligated to indemnify any Person for such Person's breach of any terms or conditions of any employment, non-competition, non-solicitation or non-disclosure agreement that such Person has entered with any third party. Each current and former employee of the Company has executed an employee confidentiality and inventions agreement substantially in the form provided to Purchaser.

(i) To the Company's Knowledge, no allegations of sexual harassment or sexual misconduct have been made against (i) any officer or director of the Company or (ii) any employee of the Company. The Company has not entered into any settlement agreement relating to the allegations of sexual harassment or sexual misconduct by any director, officer or other employee.

(j) No independent contractor of the Company has given notice that he or she intends to terminate or materially reduce his or her relationship with the Company.

(k) The employment of each of the current Company Service Providers is terminable by the Company without cause, subject only to the terms of the respective engagement agreement and applicable Legal Requirements.

(l) All of the employees of the Company which have been terminated prior to the date hereof shall not be employed by the Company as of the Closing and the Company shall have performed a final settlement with each of them and paid all related amounts prior to the Closing.

SECTION 3.23 Related Parties Transactions. Other than set forth in Schedule 3.23, the Company (a) has not entered into any agreement, Contract, arrangement or other transaction or business relationship with any Related Party other than employment agreements and Benefit Plans in the ordinary course of an employment relationship consistent with the Company's practices and policies with respect to employees generally, and (b) is not owed and does not owe any financial obligation to or from any Related Party (excluding employee compensation and other ordinary incidents of employment in the ordinary course of business consistent with past practice and consistent with the Company's practices and policies with respect to employees generally). No property or interest in any property (including designs and drawings concerning machinery) that relates or pertains to or is or will be necessary in the present or currently contemplated future operation of the business of the Company is owned by or leased by or to any Related Party.

SECTION 3.24 Customers; Suppliers.

(a) Schedule 3.24(a) sets forth a complete and accurate list of the top 20 customers of the Company, determined based on revenue received from such customers, for each of the 2019 and 2020 calendar years (each such customer, a "Material Customer").

(b) Schedule 3.24(b) sets forth a complete and accurate list of the top 20 suppliers to the Company, determined by dollar purchase volume (measured by gross amount) as made by the Company during each of the 2019 and 2020 calendar years (each such supplier, a "Material Supplier").

(c) Other than as set forth in Schedule 3.24(c), the Company has not received any written or, to the Company's Knowledge, oral notice from any Material Customer or Material Supplier to the effect that, and the Company does not have any Knowledge that, any such Material Customer or Material Supplier, (i) with respect to Material Customers, has ceased or materially reduced, or intends to cease or materially reduce, doing business with or refuse or otherwise fail to purchase or pay for goods or services from the Company, or (ii) with respect to Material Suppliers, has ceased or materially reduced, or intends to cease or materially reduce, doing business with or refuse or otherwise fail to supply goods or services to the Company, in each case consistent with past practices. The Company has not received any written, or, to the Company's Knowledge, oral, notice from any customer requesting a benefit, credit, compensation, reperformance or other recourse on account of any alleged deficiency (including failure to meet timelines) relating to or arising from goods provided or services performed by the Company for such customer, and the Company has no Knowledge of any such claim by any customer. The Company is not involved in any material dispute with any Material Customer or Material Supplier.

SECTION 3.25 Insurance. Schedule 3.25(a) sets forth a complete and accurate list of all insurance policies and programs maintained by or for the benefit of the Company or in respect of its assets, liabilities, properties or businesses as of the date of this Agreement (the "Insurance Policies"). All such Insurance Policies are in full force and effect and the Company is not in material default with respect to its obligations thereunder. Except as set forth on Schedule 3.25(b), all premiums with respect to the Insurance Policies have been paid in full and the Company has not received any written notice of cancellation, material change in premium or denial of renewal in respect of any of the Insurance Policies. The Company has provided to Purchaser true, correct and complete loss runs for all Insurance Policies and a true, correct, and complete list of all open claims or circumstances with respect to which notice has been provided to the insurer or managing general agent thereof. The Company has not made any claim against an Insurance Policy as to which the insurer is denying coverage or defending the claim under a reservation of rights. To the Company's Knowledge, there presently exist no claims or circumstances that are reasonably likely to give rise to claims under the Insurance Policies as to which notice has not been provided in accordance with the terms of the applicable Insurance Policies.

SECTION 3.26 Names; Officers and Bank Accounts. Except as set forth on Schedule 3.26(a), the Company has never used any name or names under which it has invoiced account debtors, maintained records concerning its assets or otherwise conducted business, other than the exact name set forth in its articles or certificate of incorporation (as amended to date). Schedule 3.26(b) lists all of the managers, directors, officers, bank accounts, safety deposit boxes and lock boxes (designating each authorized signatory with respect thereto) of the Company.

SECTION 3.27 Accounts Receivable. All of the accounts receivable owing to the Company as reflected on the balance sheet set forth in the Interim Financial Statements (to the extent not received since such date), net of applicable reserves, constitute valid and enforceable claims arising from bona fide transactions for goods sold or services performed in the ordinary course of business. No material account debtor has refused or threatened to refuse to pay, for any reason, any material obligations owed to the Company. All accounts receivable are, to the Company's Knowledge, fully collectible and no account receivable is subject to any counterclaim, set-off, defense, security interest, claim, or other encumbrance.

SECTION 3.28 Brokers. Neither the Company nor any of its Affiliates has dealt with or made any arrangement or agreement with any Person who is entitled to a broker's commission, finder's fee, investment banker's fee or similar payment from the Company or any of its Affiliates with respect to the transactions contemplated by this Agreement or introducing the parties to each other.

SECTION 3.29 Accredited Investors and Qualified Investors. Fewer than 35 of the Shareholders entitled to receive Purchaser Share Consideration pursuant to Section 2.3 are not Accredited Investors (as such term is defined under Reg. S) or otherwise exempted by virtue of Section 15A of the Israeli Securities Law, 1968, and if any such Shareholder is not a natural person, such Shareholder was not organized solely for the purpose of acquiring Ordinary Shares of Purchaser.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby makes the representations and warranties to the Company that are set forth in this Article IV as of the date hereof and as of the Closing Date (except to extent that such representations and warranties speak as of a specific date, in which case such representations and warranties are and will be complete and accurate as of such specific date).

SECTION 4.1 Organization and Existence. Purchaser is a corporation and Merger Sub is a corporation, and each is duly organized and validly existing under the Laws of the state of its incorporation. Purchaser and Merger Sub have each qualified as a foreign corporation, and are in good standing, under the Laws of all jurisdictions where the nature of their respective businesses or the nature or location of their respective assets require such qualification and where the failure to so qualify would reasonably be expected to have a material adverse effect on the business, operations (including results of operations), assets, liabilities, or financial condition of Purchaser or Merger Sub or on the ability of the parties to consummate the transactions contemplated by this Agreement.

SECTION 4.2 Power and Authority. Purchaser and Merger Sub each have full corporate power and authority to enter into and perform this Agreement and all the other Transaction Documents to be executed or delivered by them in connection with the transactions contemplated by this Agreement. The execution, delivery and performance of this Agreement and the other Transaction Documents to which each is a party by Purchaser and Merger Sub and the consummation by Purchaser and Merger Sub of the transactions contemplated in this Agreement and the other Transaction Documents to which Purchaser and Merger Sub are a party have been duly and validly approved by each of Purchaser's and Merger Sub's boards of directors and by Merger Sub's sole shareholder. The approval of Purchaser's stockholders for Purchaser to execute this Agreement and the other Transaction Documents to which Purchaser is a party or consummate the transactions contemplated by this Agreement is either not required or has been duly given. Other than the adoption of this Agreement by Purchaser in its capacity as the sole shareholder of Merger Sub, which shall occur on the date of this Agreement, no other Proceedings are necessary on the part of Purchaser or Merger Sub to authorize the execution, delivery and performance of this Agreement and the other Transaction Documents by Purchaser or Merger Sub and the consummation by Purchaser and Merger Sub of the transactions contemplated herein and therein.

SECTION 4.3 Enforceability. This Agreement has been duly authorized, executed and delivered by duly authorized officers or other signatories of each of Purchaser and Merger Sub, and the material terms of the Merger have been approved by Purchaser's board of directors and, assuming due authorization, execution and delivery by the other parties, constitutes a legal, valid and binding obligation of Purchaser and Merger Sub, respectively, enforceable against each of Purchaser and Merger Sub in accordance with its terms, except to the extent enforcement may be affected by Laws relating to bankruptcy, reorganization, insolvency and creditors' rights and by the availability of injunctive relief, specific performance and other equitable remedies. At the Closing, the Transaction Documents to be executed and delivered by each of Purchaser and Merger Sub will have been duly executed and delivered by duly authorized officers of Purchaser and Merger Sub, respectively, and, assuming due authorization, execution and delivery by the other parties thereto, will constitute valid and binding obligations of each of Purchaser and Merger Sub, enforceable in accordance with their terms, except to the extent enforcement may be affected by Laws relating to bankruptcy, reorganization, insolvency and creditors' rights and by the availability of injunctive relief, specific performance and other equitable remedies.

Section 4.4 Capitalization . The issued and outstanding share capital of Purchaser, as of the date hereof on a Fully Diluted As Converted Basis is as set forth on Schedule 4.4. Other than set forth in Schedule 4.4, as of the date hereof there are no outstanding warrants and/or options to purchase shares of the Purchaser and there is no undertaking or understanding in connection with the issuance of any shares or securities of the Purchaser. "Fully Diluted As Converted Basis" shall include all shares of Purchaser (whether ordinary shares, preferred shares, or otherwise) which are issued and outstanding at the time, as well as all shares issuable assuming the exercise, conversion or exchange into shares of all warrants, options, notes, debentures, or other rights, securities, agreements or other commitments which by their terms are exchangeable, exercisable or convertible (taking into account anti-dilution or other similar rights), directly or indirectly, for or into share capital of the Parent, whether or not vested, and whether outstanding, promised or contingent.

SECTION 4.5 Consents; Non-contravention. Neither Purchaser nor Merger Sub needs to give any notice to, make any filing with or obtain any authorization, consent, Order or approval of any Governmental Entity in connection with the execution and delivery of this Agreement and the other Transaction Documents or the consummation of the transactions contemplated herein and therein. Neither the execution, delivery and performance of this Agreement and the other Transaction Documents, nor the consummation of the transactions contemplated herein and therein: (a) will violate any provision of the Organizational Documents of Purchaser or Merger Sub; (b) will violate any Law or Order to which Purchaser or Merger Sub or any of Purchaser's or Merger Sub's assets or businesses is subject or otherwise bound; or (c) will result in the creation or imposition of any Lien (other than Permitted Liens) upon any of the material assets or businesses of Purchaser or Merger Sub.

SECTION 4.6 Brokers. Neither Purchaser nor any of its Affiliates has dealt or made any arrangement or agreement with any Person who is entitled to a broker's commission, finder's fee, investment banker's fee or similar payment with respect to the transactions contemplated by this Agreement or introducing the parties to each other.

SECTION 4.7 SEC Reports. A true and complete copy of each annual, quarterly and other report, registration statement, and definitive proxy statement filed by Purchaser with the SEC since January 1, 2020 and prior to the date hereof (the "Purchaser's SEC Documents") is available on the web site maintained by the SEC at http://www.sec.gov, other than portions in respect of which confidential treatment was granted by the SEC. As of their respective filing dates, the Purchaser's SEC Documents complied in all material respects with the requirements of the Securities Act and the Exchange Act, as the case may be, and the rules and regulations of the SEC promulgated thereunder applicable to such Purchaser's SEC Documents, and none of the SEC Documents, 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 Purchaser included in the SEC Documents comply in all material respects with applicable accounting requirements and the rules and regulations of the SEC with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with GAAP applied on a consistent basis, except as may be otherwise specified in such financial statements or the notes thereto, and fairly present in all material respects the financial position of Parent 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, year-end audit adjustments.

SECTION 4.8 Share Consideration. The shares of Ordinary Shares of Purchaser to be issued by Purchaser as part the Merger Consideration have been duly authorized, and upon consummation of the Merger and the issuance of such shares of Ordinary Shares of Purchaser pursuant to and in accordance with the terms hereof, will be (a) validly issued, fully paid and non-assessable, and (b) issued in compliance with applicable Law.

SECTION 4.9 No Other Representations. Purchaser acknowledges and agrees that neither the Company nor any Equityholder is making any representation or warranties whatsoever, express or implied, except for the representations and warranties contained in Article III and any representations and warranties contained in the Transaction Documents. Any claims Purchaser may have for breach of representation or warranty of this Agreement shall be based solely on the representations and warranties of the Company as set forth in Article III an any representations and warranties contained in the Transaction Documents.

SECTION 4.10 No Litigation. There are no Proceedings pending or, to the Knowledge of Purchaser, threatened against Purchaser or Merger Sub or any of their Affiliates, that are reasonably likely to prohibit or restrain the ability of Purchaser or Merger Sub to enter into this Agreement or consummate the Merger and the other transactions contemplated hereunder.

SECTION 4.11 Purchaser Material Contracts. Purchaser has made available to the Company accurate and complete (except for applicable redactions thereto) copies of all contract, including all amendments and purchase orders thereto (i) with the top 10 customers (including purchase orders), distributors or suppliers of the Purchaser which whom the Purchaser has a contract (excluding the agreements relating to the land purchase and facility construction in the Republic of Korea); (ii) Contracts pursuant to which the use by the Purchaser of Intellectual Property is permitted by any Person; and (iii) Contracts pursuant to which the Purchaser licenses or sublicenses any Intellectual Property to any Person, other than (A) non-exclusive licenses granted to vendors and other contractors solely for the purposes of providing services to Purchaser and (B) non-exclusive licenses granted to customers of Purchaser in the ordinary course of business consistent with past practice, and (iv) material contracts pursuant to which any Intellectual Property was developed for the Purchaser.

SECTION 4.12 No Operations of Merger Sub. Merger Sub has been formed solely for the purpose of engaging in the Transaction and is not currently engaged and, prior to the Effective Time will not have engaged in any other business activities and will have incurred no liabilities or obligations other than as contemplated by this Agreement.

ARTICLE V
COVENANTS OF THE COMPANY

SECTION 5.1 Reasonable Access. During the period between the date hereof and the earlier to occur of the termination of this Agreement pursuant to and in accordance with Article XI or the Closing (such period, the "Pre-Closing Period"), upon reasonable advance notice from Purchaser, the Company shall give to Purchaser's officers, employees, agents, attorneys, consultants, accountants and lenders reasonable access during normal business hours to all of the properties, books, Contracts, documents, insurance policies, records and senior management of or with respect to the Company and shall furnish to Purchaser and such Persons as Purchaser may designate from time to time in writing to the Company such information as Purchaser or such Persons may at any time and from time to time reasonably request; provided that, the Company shall not be required to disclose any information to Purchaser if such disclosure would, (a) in the reasonable judgment of the Company, violate applicable Law, or, (b) in the reasonable judgment of outside counsel to the Company, jeopardize any attorney-client privilege; provided that, in any such event, the parties shall cooperate with respect to alternative access or disclosure that would not result in such violation or loss.

SECTION 5.2 Third Party Consents. During the Pre-Closing Period, the Company shall use its commercially reasonable efforts (including payment to any third party of any costs or fees in connection with such consents or requests therefor to the extent required by the terms of the applicable Contract) and make a good faith attempt, and Purchaser shall cooperate with the Company, to obtain the third party consents (which consents shall be in form and substance reasonably satisfactory to Purchaser) to the consummation of the transactions contemplated by this Agreement under or with respect to the Contracts, Permits and other instruments enumerated in Schedule 5.2 ("Required Consents").

SECTION 5.3 Operation of the Business.

(a) During the Pre-Closing Period, the Company shall (i) carry on its business in the ordinary course, except as otherwise required by this Agreement, (ii) exercise commercially reasonable efforts to retain the services of the Key Employees, (iii) exercise commercially reasonable efforts to maintain its books, accounts and records, perform all maintenance and repairs necessary to maintain its facilities and equipment, taken as a whole, in good operating condition, maintain the insurance policies it currently has in place and otherwise conduct its business, in each case in the same manner as it is currently conducted, (iv) pay its expenses and payables, and collect receivables in the ordinary course of business consistent with past practice, (v) exercise commercially reasonable efforts to take all actions, obtain all consents, and deliver all notices required under the terms of the Company's Organizational Documents in connection with entry into this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby, (vi) comply in all material respects with all Laws and Contracts applicable to its operations and business and maintain all Permits required for the continuation of its operations and business, and (viii) use commercially reasonable efforts to preserve intact its corporate existence and Owned Intellectual Property.

(b) During the Pre-Closing Period, the Company shall not take or omit to take any action that would be required to be disclosed on Schedule 3.11 without the prior written consent of Purchaser (which consent shall not be unreasonably withheld, delayed or conditioned).

SECTION 5.4 Certain Updates. During the Pre-Closing Period, the Company shall promptly notify Purchaser of:

(a) Any Material Adverse Effect or any other fact or circumstance which otherwise results in the Company determining that a condition to its obligations to consummate the transactions contemplated hereby cannot be fulfilled;

(b) Any written notice or other written communication from or to any Governmental Entity in connection with the transactions contemplated hereby;

(c) Any written notice or other written communication from any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated hereby;

(d) Any Proceeding commenced, threatened against, relating to or involving or otherwise affecting the Company that, if pending on the date hereof, would have been required to have been disclosed pursuant to this Agreement; and

(e) (i) The damage or destruction by fire or other casualty of any material asset or part thereof or (ii) any asset or part thereof becoming the subject of any proceeding or threatened proceeding for the taking thereof or of any right relating thereto by condemnation, eminent domain or other similar governmental action.

The Company hereby acknowledges that Purchaser does not and shall not waive any right it may have hereunder as a result of such notifications and any notification given pursuant to this Section 5.4 shall (i) not have any effect for purposes of determining satisfaction of the conditions set forth in Section 8.2 of this Agreement, (ii) not in any way limit Purchaser's exercise of its rights hereunder, including those rights set forth in Article IX; and (iii) not constitute an update or supplement to the Schedules for any purpose.

SECTION 5.5 Exclusivity.

(a) During the Pre-Closing Period, the Company hereby covenants and agrees that it:

(i) will discontinue and cause to be terminated any activities or negotiations currently in process or under discussion with any Person regarding any offer or proposal or indication of interest in a merger, consolidation or other business combination involving any Equity Interest in, or a substantial portion of the assets of, the Company;

(ii) will not, and will cause its employees, officers, directors, investment bankers, financial advisors, attorneys or other agents or authorized representatives, directly or indirectly, not to: (A) solicit or encourage, or take any other action to facilitate, any inquiries or the making of any proposal relating to, any Competing Transaction, (B) enter into discussions or negotiate with any Person with respect to any Competing Transaction, or (C) endorse or agree to endorse any Competing Transaction. Promptly following the receipt of any inquiry, proposal or other communication relating to a Competing Transaction (and in any event within two Business Days thereafter), the Company will notify Purchaser of such receipt and provide a description, in reasonable detail, of all material terms of such inquiry or proposals. For purposes of this Agreement, a "Competing Transaction" means any of the following: (I) any merger, consolidation, share exchange, business combination, joint venture, partnership, or similar transaction (or series of transactions) involving the Company; (II) any sale, lease, exchange, mortgage, pledge, transfer or other disposition of a material portion of the assets of the Company, (III) any transaction contemplating either the issuance by the Company of share capital, or the acquisition (directly or indirectly) by any Person of any of the Company's share capital (excluding in connection with the exercise of Company Convertible Instruments, Company Warrants and Company Options outstanding as of the date of this Agreement in accordance with their terms), other than financing agreements, which the Company shall be entitled to pursue during the Pre-Closing Period, *provided*, *that*, those financing agreements will not contain any provisions that could interfere with the consummation of the transactions contemplated hereby and each party to such financing agreements shall sign the Voting Agreement as a condition to providing financing to the Company; or (IV) any similar transaction, in each case other than the transactions contemplated by this Agreement.

(b) Prior to execution of this Agreement, the Company has discontinued and caused to be terminated, and will continue during the Pre-Closing Period to prevent and not provide or permit, any access to any data room (whether virtual or physical), including the Data Room, or other non-public information with respect to the Company in connection with any Competing Transaction, or other due diligence activities on the part of any Person other than Purchaser and its officers, directors, members, shareholders, affiliates, employees, agents, advisors (including financial advisors, attorneys and accountants), consultants or other representatives.

SECTION 5.6 Shareholder Consent.

(a) The Company shall obtain and deliver to Purchaser, simultaneously with the execution of this Agreement, the Voting Agreement executed by the Requisite Supporting Shareholders. The materials submitted to the Shareholders in connection with seeking the Shareholder Approval shall include the recommendation of the Company's Board of Directors in favor of the adoption of this Agreement and the transactions contemplated hereby.

(b) The Company shall use commercially reasonable efforts to obtain an executed Voting Agreement from each Shareholder (in addition to the Requisite Supporting Shareholders) as soon as possible after the date hereof, and in any case prior to the date of the Company Shareholders Meeting referred to in Section 13.4 below.

SECTION 5.7 Termination of Shareholder Agreements and Related Party Agreements. The Company shall, and shall cause the applicable Shareholders to, cause the termination, effective as of no later than immediately prior to the Closing, of all shareholder agreements, investors' rights agreements, voting agreements, voting trusts, right of first refusal and co-sale agreements, management rights agreements and all other similar agreements or contracts relating to the Company to which any of them may be party (the "Shareholders Agreements"), in each case, without any liability to the Company. The Company shall cause the termination of all other Contracts between the Company and a Related Party identified in Schedule 5.7, effective as of no later than immediately prior to the Closing, in each case, without any liability to the Company.

SECTION 5.8 Financial Statements. The Company shall make commercial reasonable efforts to deliver to the Purchaser by the Closing Date audited consolidated balance sheets and related statements of operations, stockholders' equity and cash flows (together with all notes thereto) of the Company as of and for the year ended December 31, 2020, prepared in accordance with US GAAS; provided that, it is agreed that the Purchaser shall not have the right to delay the Closing as a result of non-delivery of such materials on or before the Closing, and further provided that the Purchaser will bear 50% of all pre-approved costs of the US GAAS audit, if the Closing does not occur.

ARTICLE VI
COVENANTS OF PURCHASER

SECTION 6.1 Confidentiality Agreement. That certain Mutual Confidential Disclosure Agreement, dated March 3, 2021, between the Company and Purchaser (the "Confidentiality Agreement") shall remain in full force and effect in accordance with its terms, and shall survive the execution of this Agreement notwithstanding the terms thereof (provided that, the parties acknowledge and agree that this Agreement constitutes a final "definitive agreement" as referred to therein). The provisions of this Section 6.1 and the Confidentiality Agreement shall terminate upon the Closing.

SECTION 6.2 Officers' and Directors' Liability.

(a) Prior to the Effective Time, the Company shall procure and bind a tail insurance coverage policy (the "Tail Insurance Coverage") for the benefit of the officers, directors and other Persons who, as of the Closing Date, are covered by the Company's currently effective directors' and officers' and other management liability insurance policy (such persons, the "Indemnified Persons"), which shall provide the Indemnified Persons with coverage in respect of acts or omissions occurring at or prior to the Effective Time for a period of six years following the Effective Time in an amount not less than, and that shall have other terms not materially less favorable to the Indemnified Persons than, the directors' and officers' and other management liability insurance coverage presently maintained by the Company. Purchaser shall cause the Surviving Corporation to maintain the Tail Insurance Coverage in full force and effect and continue to honor the obligations thereunder until the sixth anniversary of the Effective Time. The Indemnified Persons are third party beneficiaries of this provision.

(b) Purchaser agrees to cause the Surviving Company to honor in accordance with their terms the provisions of the indemnification agreements listed in Exhibit G hereto with respect to indemnification of officers, directors, employees and agents of the Company (including provisions relating to contributions, advancement of expenses and the like if covered under such indemnification agreements) and agrees that prior to the six year anniversary of the Effective Time, such rights shall not be modified or amended except as required by Law, unless such modification or amendment expands the rights of the foregoing persons to indemnification (including with respect to contribution, advancement of expenses and the like). Purchaser acknowledges that any claims for indemnification made by any such indemnified person on or prior to the sixth anniversary of the Effective Time and covered under such indemnification agreements shall survive such sixth anniversary until the final resolution thereof. The foregoing Persons, who may be identified within the Company's Organizational Documents, are third party beneficiaries of this provision.

(c) Purchaser agrees that as of the Closing and until the last Milestone Target Date (the "Milestones Period"), Purchaser will provide the Company such financing and suitable workforce and other resources which are reasonably required in order for the Company to achieve the Milestones, according to a plan which will be agreed by each of the Purchaser and the Company during the Pre-Closing Period.

ARTICLE VII
JOINT COVENANTS

SECTION 7.1 Commercially Reasonable Efforts. During the Pre-Closing Period, each of the parties shall use all commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to consummate the transactions contemplated by this Agreement and the other Transaction Documents as soon as practicable.

SECTION 7.2 Further Assurances. From and after the Closing, the parties will execute such further documents, and perform such further acts, as may be necessary to comply with this Agreement and the other Transaction Documents and consummate the transactions contemplated by this Agreement and the other Transaction Documents.

ARTICLE VIII
CONDITIONS TO CLOSING

SECTION 8.1 Conditions to the Company's Obligations. The obligation of the Company to close the transactions contemplated by this Agreement is subject to the fulfillment (or waiver by the Company, to the extent permitted by Law) of each of the following conditions on or prior to the Closing Date:

(a) The representations and warranties made by Purchaser and Merger Sub in Article IV of this Agreement shall be complete and accurate in all material respects (it being understood that, for purposes of determining the accuracy of such representations and warranties in this Section 8.1(a), all "Material Adverse Effect" and other materiality qualifications contained in such representations and warranties shall be disregarded) as of the date of this Agreement and as of the Closing Date as though then made and as though the Closing Date was substituted for the date of this Agreement throughout such representations and warranties (except, in each case, to the extent such representations and warranties are made on and as of a specified date, in which case the same shall continue on the Closing Date to be so complete and accurate as of the specified date).

(b) All covenants and agreements of Purchaser and Merger Sub to be performed hereunder through and including the Closing Date (including all covenants and agreements Purchaser or Merger Sub would be required to perform at the Closing if the transactions contemplated by this Agreement were consummated) shall have been fully performed or complied with in all material respects.

(c) Purchaser and Merger Sub, as applicable, shall have delivered to Company each of the agreements, documents and instruments required to be delivered pursuant to Section 2.9(a).

(d) No Material Adverse Effect on the Purchaser, and no event or circumstance that would reasonably be expected to result in a Material Adverse Effect, shall have occurred between the date of this Agreement and the Closing Date.

(e) The 104H Interim Tax Ruling and an interim 102 Tax Ruling has been obtained from the ITA.

SECTION 8.2 Conditions to Purchaser's and Merger Sub's Obligations. The obligation of Purchaser and Merger Sub to close the transactions contemplated by this Agreement is subject to the fulfillment (or waiver by Purchaser, to the extent permitted by Law) of each of the following conditions on or prior to the Closing Date:

(a) (i) The representations and warranties contained in Section 3.1 (Organization; Existence), Section 3.2 (Power and Authority), Section 3.3 (Enforceability), clauses (a) and (c) of the second sentence of Section 3.4 (Consents; Non-contravention), Section 3.5 (other than the last sentence of Section 3.5(c) and Section 3.5(f)), Section 3.28 (Brokers) and Section 3.29 (Accredited Investors and Qualified Investors) shall be complete and accurate in all respects as of the date of this Agreement and shall be complete and accurate in all respects as of the Closing Date as though then made and as though the Closing Date was substituted for the date of this Agreement throughout such representations and warranties (except, in each case, to the extent such representations and warranties are made on and as of a specified date, in which case the same shall continue on the Closing Date to be so complete and accurate as of the specified date), other than, solely in the case of the representations and warranties contained in Section 3.5 (Capitalization), de minimis inaccuracies in the representations and warranties as of such date and (ii) all other representations and warranties contained in Article III shall be complete and accurate in all material respects (it being understood that, for purposes of determining the material accuracy of such representations and warranties in this Section 8.2(a), all "Material Adverse Effect" and other materiality qualifications contained in such representations and warranties shall be disregarded) as of the date of this Agreement and as of the Closing Date as though then made and as though the Closing Date was substituted for the date of this Agreement throughout such representations and warranties (except, in each case, to the extent such representations and warranties are made on and as of a specified date, in which case the same shall continue on the Closing Date to be so complete and accurate as of the specified date).

(b) All covenants and agreements of the Company to be performed hereunder through and including the Closing Date (including all covenants and agreements that the Company would be required to perform at the Closing if the transactions contemplated by this Agreement were consummated) shall have been fully performed or complied with in all material respects.

(c) No Material Adverse Effect, and no event or circumstance that would reasonably be expected to result in a Material Adverse Effect, shall have occurred between the date of this Agreement and the Closing Date.

(d) The Company or the Equityholder Representative, as applicable, shall have delivered to Purchaser each of the documents required to be delivered by it at the Closing pursuant to Section 2.9(b).

(e) The Shareholder Approval shall have been obtained.

(f) At least 80% of the Key Employees has remained employed with the Company executed a retention agreement with Purchaser and the Company (the "Key Employee Agreements") (provided, however, that such percentage must include the Key Employee Employment Agreement with all the Essential Key Employees, as defined in Schedule 1.1). Notwithstanding the foregoing, in the event that the Purchaser has not provided the Company with the form and principle commercial terms of the Key Employee Agreements proposed to the Key Employees by August 30, 2021, then the execution of the Key Employee Agreements shall not be a condition to Closing.

(g) A restrictive covenant Agreement with Mr. Eyal Toledano shall be executed in a form which will be agreed between the Purchaser and Mr. Eyal Toledano and shall remain in full force and effect on and as of the Closing Date.

(h) All of the Company Intellectual Property is free and clear of any Encumbrances other than Permitted Liens, and any Software which qualifies as part of the Company Intellectual Property shall have demonstrated by a reputable third-party professional scan to be free of harmful Open Source Code, to the full satisfaction of the Purchaser.

(i) The Company's Chief Executive Officer has confirmed in writing that the Company has (i) duly terminated any IIA grant programs which are inactive as of the date hereof; (ii) duly submitted to the IIA all required reports and fillings (including final execution reports) with respect to the Company's active grants, together with proof reasonably acceptable to the Purchaser that such reports were received by the IIA, (iii) submitted all of the reports it is required to submit, up until the Closing, to Zebra Technologies Corporation, by virtue of its settlement agreement between the Company and Zebra (dated July 30, 2020, and as amended) or otherwise that there are no outstanding claims by Zebra Technologies Corporation with respect to non-submission of such reports by the Company.

The Purchaser has received (i) the audited consolidated balance sheets and related statements of operations, stockholders' equity and cash flows (together with all notes thereto) of the Company as of and for the years ended December 31, 2020, prepared in accordance with US GAAP and (ii) the unaudited but reviewed balance sheet and related statements of operations, stockholders' equity and cash flows (together with any notes thereto), but without comparative figures to the equivalent period of 2020, of the Company for the 6-month period ended June 30, 2021.

SECTION 8.3 Joint Conditions to the Parties' Obligations. The obligations of the parties to close the transactions contemplated by this Agreement are subject to the fulfillment of all of the following conditions on or prior to the Closing Date (any of which may only be waived in writing by each of Purchaser and the Company, to the extent permitted by Law):

(a) Israeli Statutory Waiting Periods. At least 50 days shall have elapsed after the filing of the Merger Proposal with the Companies Registrar and at least 30 days shall have elapsed after the approval of the Merger by the shareholders of the Company.

(b) No Legal Prohibition. No Governmental Authority of competent jurisdiction shall have (i) enacted, issued or promulgated any Law that is in effect and has the effect of making the Merger illegal or which has the effect of prohibiting or otherwise preventing the consummation of the Merger, or (ii) issued or granted any Order that has the effect of making the Merger illegal or which has the effect of prohibiting or otherwise preventing the consummation of the Merger.

(c) ISA Approval. The Purchaser has received exemption from the Israeli Securities Authority according to Section 15D of the Israeli Securities Law, 1968.

ARTICLE IX
INDEMNIFICATION

SECTION 9.1 General; Survival. The representations and warranties of the parties contained in this Agreement and in any certificate delivered by the Company hereunder (including, for the removal of a doubt, any certificate issued by an officer of the Company as part of the Closing deliverables) shall survive the execution and delivery of this Agreement and the Closing (and shall not merge into any instrument of conveyance). No claim for indemnification arising out of breaches of the representations and warranties contained herein or in any certificate delivered by the Company hereunder shall be brought more than 12 months after the Closing Date, except for claims in respect of the (i) Fundamental Representations, which claims shall survive and may be brought until the date that is 6 years after the Closing Date, (ii) representations under Section 3.18 (Intellectual Property), which claims shall survive and may be brought until the date that is 36 months after the Closing Date; *provided that*, notwithstanding the foregoing, claims arising out of the representations and warranties contained in Section 3.10 (Taxes) may be brought until 60 days after the expiration of the applicable statute of limitation (including any extensions or tollings thereof). The respective covenants, agreements and obligations of the parties set forth in this Agreement or any Transaction Document shall survive the Closing in accordance with their respective terms, and if no specific term is specified, in perpetuity. No claim for breach of any representation or warranty contained in this Agreement or in any certificate delivered by the Company hereunder may be made, and no obligation to indemnify for such claim will arise, unless the claim is asserted in accordance with this Article IX prior to the applicable survival termination date as set forth in this Section 9.1, *provided, however,* that if, at any time on or prior to the applicable survival termination date, any Purchaser Indemnitees delivers to the Shareholders' Representative a Claim Notice, then the claim asserted in such Claim Notice shall survive the applicable survival termination date until such time as such claim is fully and finally resolved. It is the express intent of the parties that the survival of the representations, warranties covenants and agreements in this Agreement and in any certificate delivered by the Company hereunder (and the associated right to bring a claim for a breach of such representations, warranties covenants and agreements) is shorter than the statute of limitations that would otherwise have been applicable to such representations, warranties covenants and agreements, and, by contract, the applicable statute of limitations with respect to such representations, warranties covenants and agreements (and the associated right to bring a claim for a breach of such representations, warranties covenants and agreements) are hereby reduced so they end on the applicable survival termination date set forth in this Section 9.1. Each of the parties acknowledges that this Agreement results from arm's-length negotiations among the parties and embodies the justifiable expectations of sophisticated parties derived from arm's-length negotiations; Purchaser and the Company specifically acknowledge that neither Purchaser nor the Company has any special relationship with the other party that would justify any expectation beyond that of an ordinary buyer and an ordinary seller in an arm's-length transaction, and there are no grounds for the tolling of any applicable statute of limitations.

SECTION 9.2 The Equityholders' Indemnification Obligations. Subject to the other provisions of this Article IX, from and after the Closing, by virtue of the Merger and, as applicable, by virtue of the execution of the Voting Agreements, the Equityholders shall indemnify and hold harmless (and shall pay and compensate, regardless of whether such matters arise from Third Party Claims or direct claims), Purchaser and its Affiliates (including, from and after the Closing, the Surviving Corporation) and the directors, officers, managers, employees, shareholders, representatives, successors and assigns of each of them in their capacities as such ("Purchaser Indemnitees") for, from and against any and all Damages sustained or to be sustained by any Purchaser Indemnitee caused by, arising out of, or resulting from:

(a) any inaccuracy in or breach of any representation or warranty made by the Company to Purchaser herein or in any certificate required to be delivered by the Company hereunder, other than the Fundamental Representations;

(b) any inaccuracy in or breach of any Fundamental Representation made by the Company to Purchaser herein, or any certificate required to be delivered by the Company hereunder;

(c) any breach by the Company of, or any failure of the Company to comply with, any of the covenants or agreements under this Agreement to be performed by the Company;

(d) any Indebtedness of the Company immediately prior to the Closing and any Transaction Expenses, solely to the extent that the same were not included as deductions in the calculation of the Merger Consideration as finally determined pursuant to Section 2.12;

(e) any claims or threatened claims by current or former equity or debt holders of the Company of any kind or nature whatsoever, in their capacity as an equity or debt holder or any other capacity, in each case whether absolute or contingent, liquidated or unliquidated, known or unknown, and whether arising under any agreement or understanding (other than any claims (i) by current or former equity holders of the Company against any current or former director of the Company alleging breach of fiduciary duty of such director in connection with such director's decision to vote in favor of approving this Agreement and the transactions contemplated hereby and (ii) for breach by Purchaser or Merger Sub of this Agreement and/or any of the other agreements executed and delivered by Purchaser or Merger Sub in connection herewith), including any claim or threatened claim relating to, caused by, arising out of, or resulting from the failure of the Payout Spreadsheet to be accurate and complete in all respects at the Closing or otherwise with respect to the allocation of the Merger Consideration, and, in each case, any failure of the Merger Consideration and the allocation thereof as set forth in the Payout Spreadsheet to have been determined in accordance with applicable Law, all applicable Contracts, and the Organizational Documents of the Company; or

(f) any Taxes or Damages payable with respect to Taxes claimed or assessed against the Purchaser, the Surviving Corporation, or Affiliates of either of them for (i) any Pre-Closing Tax Period or the portion of a Straddle Period ending on the Closing Date, including on account of the withholding, or necessity to withhold, Taxes on account of the conversion of any convertible instrument (including the Company Outstanding Instruments), (ii) any Tax period with respect to any Taxes of any member of an affiliated, consolidated, combined or unitary group of which the Company is or was a member on or prior to the Closing Date, (iii) any Tax period with respect to any Taxes of any Person imposed on the Company as a transferee or successor in respect of a transaction or event occurring before the Closing, by Law, Contract, or otherwise, and (iv) any Tax period attributable to Unrecognized Tax Items or as a result of the transactions contemplated by this Agreement, except (in each case) to the extent and in such amount as such Taxes and Damages payable with respect to Taxes were taken into account (A) in the Transaction Expense Amount, or (B) the Closing Indebtedness (each as finally determined pursuant to Section 2.12);

(g) any fraud committed by or on behalf of the Company.

The Equityholders' indemnity obligations pursuant to this Section 9.2 shall be joint and several to the extent of the Indemnity Escrow Amount and, after such time as no Purchaser Shares remain in the Indemnity Escrow Amount, such obligation shall be several and not joint obligations of the Equityholders, in accordance with and to the extent of their respective Indemnifying Pro Rata Shares of the same.

SECTION 9.3 Limitations on Indemnification Obligations. The parties' indemnification obligations are subject to the following limitations:

(a) The Equityholders shall not have any liability under Section 9.2(a) unless and until the aggregate amount of the Damages incurred by the Purchaser Indemnitees exceeds $200,000 (the "Equityholder Threshold"), in which case the Equityholders shall be required to pay all Damages, including the amount of the Equityholder Threshold, to the Purchaser Indemnitees. In addition, Purchaser Indemnitees will not be entitled to assert any individual claim under Section 9.3(a) unless the Damages related to such individual claim exceed $10,000 (the "Per Claim Threshold") and any such claim that does not result in Damages in excess of the Per Claim Threshold will not count towards the calculation of the Equityholder Threshold; *provided*, *that*, Damages resulting from, arising out of, imposed upon or incurred by any Purchaser Indemnitee by reason of a breach of or inaccuracy in any of the Fundamental Representations shall not be counted towards the calculation of the Equityholder Threshold and/or any Per Claim Threshold; *provided*, *that*, for the avoidance of doubt, whenever multiple claims exist that arise out of the same set of facts or circumstances, such multiple claims shall be aggregated to constitute a single "individual claim" for purposes of the preceding clause (for example, the failure to withhold taxes for all employees would not constitute a separate item for each employee, but would be deemed a single individual item giving rise to a single Damage in the aggregate amount of such failures); *provided*, *that*, to avoid doubt, once such Damages exceed the Per Claim Threshold, Purchaser Indemnitees may assert such claim and all such Damages, from the first dollar thereof shall be recoverable hereunder and shall count towards the calculation of the Equityholder Threshold; and *provided*, *that*, neither the Equityholder Threshold nor the Per Claim Threshold shall apply to claims of willful misconduct or fraud.

(b) The Equityholders shall not have any liability under Section 9.2(a), for any Damages in excess of the Indemnity Escrow Amount; *provided*, *that*, the limitation described in this Section 9.3(b) shall not apply in the case of willful misconduct or fraud.

(c) (i) the aggregate amount of Damages that may be recovered by Purchaser Indemnitees under Sections 9.2(b) and (c), inclusive, shall be an amount equal to the Merger Consideration, and (ii) no individual Equityholder shall be liable to the Purchaser Indemnitees hereunder in excess of the amount of Merger Consideration actually received by such Equityholder hereunder (including such Equityholder's portion of the Escrow Amount, Expense Fund and amounts payable pursuant to Section 1.1 hereof); *provided*, *that*, the limitations described in this Section 9.3(c) shall not apply to a particular Equityholder in the case of gross negligence, willful misconduct or fraud by such Equityholder.

(d) Notwithstanding anything contained herein or elsewhere to the contrary, any qualifications relating to materiality, including the terms "material," "Material Adverse Effect," or monetary thresholds contained in the representations and warranties (or definitions contained in the representations and warranties) set forth in this Agreement shall be disregarded for purposes of the indemnification provisions hereof, including for purposes of determining whether or not a breach of a representation or warranty has occurred, determining whether the thresholds in this Article IX have been surpassed and/or determining the amount of any Damages incurred as a result of any breach of a representation or warranty.

(e) No information or knowledge acquired, or investigations conducted, by Purchaser or its representatives, of the Company or any of its businesses, assets, liabilities or otherwise, shall in any way limit, or constitute a waiver of, or a defense to, any claim for indemnification or other claim by Purchaser or any Purchaser Indemnitee under this Agreement.

(f) Neither the Equityholder Representative nor any Equityholder shall have any claim for contribution from or against the Company as a result of any indemnification or other payments made to any Purchaser Indemnitee pursuant to this Agreement.

(g) Notwithstanding anything herein to the contrary, Purchaser Indemnitees shall not be entitled to recover under Section 9.3:

(i) any exemplary and punitive Damages (except to the extent the same are payable to a third party or result from, or arise in connection with, willful misconduct or fraud);

(ii) any Damages taken into account and actually reflected as a reduction in the calculation of the Closing Consideration;

(iii) any Damages with respect to any amount actually received by any Indemnified Party under applicable insurance policies or third party indemnification provisions.

(h) Purchaser Indemnitees shall not be entitled to recover any Damages relating to any matter arising under one provision of this Agreement to the extent that Purchaser Indemnitees have already recovered such Damages with respect to such matter pursuant to another provision of this Agreement.

(i) Subject to Section 9.5 any indemnifiable Damages owed to Purchaser or any Purchaser Indemnitee pursuant to Section 9.3 hereunder shall first be settled out of the Indemnity Escrow Account to the extent of the then-remaining Indemnity Escrow Amount and then, to the extent that such Damages exceed the then available portion of the Indemnity Escrow Account (for the sake of clarity, the available portion of the Indemnity Escrow Account shall not include any portions that are subject to a previously submitted Claim Notice) or indemnification for such Damages is due after termination of the Indemnity Escrow Account, any such indemnifiable Damages shall be, at the sole and absolute discretion of each Equityholder, either settled in share of Ordinary Shares of Purchaser in an amount of Purchaser Share Consideration based on such Equityholder's Indemnifying Pro Rata Share or paid in cash directly by the Equityholders in accordance with such Equityholder's Indemnifying Pro Rata Share. Except as set forth in this Section 9.3, no Purchaser Indemnitee shall have any obligation to first submit, seek to collect or to actually collect upon any coverage under any applicable policy of insurance as a precondition to asserting claim for indemnification hereunder, including for purposes of Section 9.2 hereof; *provided that*, in the event that a Purchaser Indemnitee determines in good faith that it is reasonably likely to incur Damages for which it may be entitled to indemnification hereunder, Purchaser shall be entitled to submit a Claim Notice in accordance with Section 9.6 for indemnification of reasonably anticipated Damages in advance of the actual incurrence by any such Persons of the same, whether to preserve such Person's rights to assert a claim prior to the expiration of an applicable survival period with regard to the underlying matter, to preserve such Person's rights under the Escrow and Paying Agent Agreement or otherwise.

It is agreed that the number of Ordinary Shares of Purchaser which will be paid to a Purchaser Indemnity in order to settle any indemnification obligation of the Equityholders under Section 9.2 out of the Indemnity Escrow Amount, will be based on the Purchaser Share Consideration Price at Closing, regardless of the market value of the Ordinary Shares of Purchaser at the time of such payment. However, it is hereby clarified that the number of Ordinary Shares of Purchaser which will be paid to a Purchaser Indemnity in order to settle any indemnification obligation of the Equityholders under Section 9.2 which is ***not*** out of the Indemnity Escrow Amount, will be based on the Purchaser Share Consideration Price at the time of such settlement and payment, regardless of the market value of the Ordinary Shares of Purchaser at the time of the Closing.

SECTION 9.4 Purchaser's Indemnification Obligations. From and after the Closing Date, Purchaser shall indemnify and hold harmless (and shall pay and compensate, regardless of whether such matters arise from Third Party Claims or direct claims) the Equityholder Representative, Equityholders and their respective directors, managers, officers, members, shareholders, partners, agents, representatives, successors and assigns ("Equityholder Indemnitees") from and against all Damages sustained or to be sustained by any Equityholder Indemnitee caused by, arising out of, or resulting from:

(a) any inaccuracy in or breach of any representation or warranty made by Purchaser to the Company herein or in any certificate required to be delivered by Purchaser hereunder; or

(b) any breach by Purchaser or Merger Sub of, or any failure by Purchaser to comply with, any of the covenants or agreements under this Agreement to be performed by Purchaser or Merger Sub at or prior to the Closing Date (including its obligations under this Article IX).

SECTION 9.5 Notice and Determination of Claims. If any Indemnified Party believes that it has sustained or incurred any Damages, whether or not the applicable dollar limitation specified by Article IX has been exceeded, such Indemnified Party shall so notify the Indemnifying Party promptly in writing (the "Claim Notice") specifying the basis hereunder upon which the Indemnified Party's claim for indemnification is asserted and describing such Damages, the amount thereof, if known, or a good faith estimate of the amount, and the method of computation of such Damages, all with reasonable particularity to the extent then known. For the avoidance of doubt, all Damages caused by, arising out of, or resulting from the facts and circumstances set forth in a Claim Notice shall be deemed reported at the time such Claim Notice was first delivered to the Indemnifying Party, regardless of whether such Damages were known or knowable at the time of such delivery or whether or not all or any portion of such Damages had yet been sustained by the Indemnified Party. Subject to the terms hereof, the Indemnifying Party shall, within 30 days of receipt of a Claim Notice pursuant to this Section 9.6, either settle the amount of any valid claim, or, if the Indemnifying Party does not agree to the amount of Damages claimed by the Indemnified Party, deliver written notice to the Indemnified Party disputing such claim in whole or in part. In the event of any such dispute, the amount of indemnification to which a person shall be entitled under this Article IX shall be determined: (a) by the written agreement between the parties; (b) by a final judgment or decree of any court of competent jurisdiction; or (c) by any other means to which the parties shall agree in writing. The judgment or decree of a court shall be deemed final when the time for appeal, if any, shall have expired and no appeal shall have been taken or when all appeals taken shall have been finally determined. A failure by an Indemnified Party to give timely, complete or accurate notice as provided in this Article IX (including pursuant to this Section 9.5 and Section 9.6) will not affect the rights or obligations of any party hereunder except and only to the extent that, as a result of such failure, any party entitled to receive such notice was actually and materially prejudiced as a result of such failure to give timely notice vis-à-vis its rights and obligations hereunder or otherwise. For purposes of this Article IX, the Equityholder Representative has the full, and sole and exclusive, authority to act, and shall act, on behalf of any Equityholder as either an Indemnifying Party or the Indemnified Party. Without limiting the foregoing, any notice that a Purchaser Indemnitee shall be required to give to any Equityholder shall be satisfied by the delivery of notice by the Purchaser Indemnitee to the Equityholder Representative.

SECTION 9.6 Third Party Claims.

(a) Promptly following the receipt of notice of a Third Party Claim, the party receiving the notice of the Third Party Claim shall notify the other party of its existence setting forth with reasonable specificity the facts and circumstances of which such party has received notice and, if the party giving such notice is an Indemnified Party, specifying the basis hereunder upon which the Indemnified Party's claim for indemnification is asserted and describing such Damages, the amount thereof, if known, or a good faith estimate of the amount, and the method of computation of such Damages, all with reasonable particularity, to the extent then known.

(b) Subject to Section 9.6(d), if the Indemnifying Party provides written notice to the Indemnified Party stating that the Indemnifying Party is irrevocably and unconditionally liable and responsible for the entire Third Party Claim and any cost or expense arising out of the investigation, contest or settlement thereof (in each case, subject to the applicable limitations contained in this Agreement) within ten days after the Indemnifying Party's receipt of written notice from the Indemnified Party of such Third Party Claim, the Indemnifying Party shall have the right to conduct and control, through counsel of its choosing, the defense, compromise and settlement of any Third Party Claim as to which indemnification is sought by any Indemnified Party from any Indemnifying Party hereunder. In such event, the Indemnified Party may participate, through counsel chosen by it and at its own expense, in the defense of any such Third Party Claim as to which the Indemnifying Party has so elected to conduct and control the defense thereof. The Indemnified Party shall reasonably cooperate in connection with the defense, compromise or settlement of any Third Party Claim pursuant to this Section 9.6 and shall furnish such records, information and testimony and attend such conferences, discovery proceedings, hearings, trials and appeals as may be reasonably requested by the Indemnifying Party in connection therewith.

(c) The Indemnifying Party shall give the Indemnified Party written notice of the Indemnifying Party's intention to settle any Third Party Claim at least ten days prior to the settlement of any such Third Party Claim. The Indemnifying Party shall not settle or compromise such claim or demand without the prior written consent of the Indemnified Party, which shall not be unreasonably withheld, delayed or conditioned, unless the Indemnified Party is given a full and complete release of any and all Liability by all relevant parties to such claim or demand, there is no finding or admission of any violation of Law or any violation of the rights of any Person by any Indemnified Party and the sole relief provided is monetary damages that are paid in full by the Indemnifying Party. The Indemnified Party shall have no liability with respect to any compromise or settlement of any Third Party Claim effected without its consent when consent is required hereunder, except where such consent is unreasonably delayed or conditions. Notwithstanding the foregoing to the contrary, the Indemnified Party shall have the right to pay, settle or compromise any Third Party Claim for which the Indemnifying Party may have a liability under this Agreement without the consent of the Indemnifying Party, provided that, in such event the Indemnified Party shall have no right to indemnity therefor hereunder.

(d) Notwithstanding anything in Section 9.6(b) or Section 9.6(c) to the contrary, the Indemnified Party shall have the right to conduct and control, through counsel of its choosing at (which expenses will be subject to indemnification hereunder), the defense, compromise and settlement of any Third Party Claim that (i) seeks an injunction or other equitable relief against the Indemnified Party, (ii) relates to or arises in connection with any criminal matter, or (iii) in Purchaser's good faith determination, could reasonably be expected to have a material adverse effect on Purchaser, the Company or their respective businesses. Additionally, the Indemnifying Party shall lose its right to contest, defend, litigate and settle the Third Party Claim if it shall fail to accept a tender of the defense of the Third Party Claim or if it shall fail to diligently contest the Third Party Claim. In such event, the Indemnified Party shall have the right to conduct and control, through counsel of its choosing, the defense, compromise or settlement of any such Third Party Claim; provided that, at least thirty days prior to any such settlement, written notice of its intention to settle is given to the Indemnifying Party and the Indemnified Party in good faith considers any objections of the Indemnifying Party. In the event that the Indemnified Party exercises its right to conduct and control any Third Party Claim in accordance with this Section 9.6(d), the Indemnifying Party will remain subject to its obligations hereunder. Notwithstanding anything to the contrary contained herein, to the extent required by the insurer under any applicable policy of insurance in connection with any claim made by a Purchaser Indemnitee thereunder, the conduct of the defense or prosecution of any Third Party Claim will be assigned to counsel selected or approved by such insurer, or otherwise conducted in coordination with the insurer such policy, in each case without prejudice to the rights of the parties hereunder, and the Equityholders, the Equityholder Representative and the Purchaser Indemnitees will reasonably cooperate with the insurer under any applicable policy of insurance and such counsel in the defense of the Third Party Claim and otherwise comply with the requirements of such policy.

(e) Notwithstanding any provision of this Section 9.7 to the contrary, any Third Party Claim relating to Taxes of the Company shall be governed by the provisions of Article X.

SECTION 9.7 Obligations to Mitigate Damages. Each Indemnified Party shall take, and shall cause all other Indemnified Parties to take, commercially reasonable efforts to mitigate all Damages upon and after becoming aware of any event that could reasonably be expected to give rise to Damages. In the event that an insurance or other recovery is made by any Indemnified Party with respect to any Damages for which any such Person has been indemnified hereunder, then a refund equal to the aggregate amount of the recovery (net of costs and expenses actually incurred in recovering such amounts) shall be made promptly to the Indemnifying Party.

SECTION 9.8 Adjustment to Merger Consideration. All indemnification payments made pursuant to this Article IX shall be treated by the parties for all Tax purposes as an adjustment to the Merger Consideration unless otherwise required by Law.

SECTION 9.9 Indemnification Exclusive Remedy. Except for remedies that cannot be waived as a matter of Law and injunctive and provisional relief (including specific performance), and except for the rights of the parties under Section 2.12 (and without limitation of any such right), if the Closing occurs, indemnification pursuant to the provisions of this Article IX shall be the sole and exclusive remedy of the parties with respect to any matters arising under or relating to this Agreement, any Transaction Document (other than the Key Employee Employment Agreements and the Voting Agreements) and any closing document executed and delivered pursuant to the provisions hereof and the transactions contemplated by this Agreement and the Transaction Documents (other than the Key Employee Employment Agreements and the Voting Agreements), and the only legal action that may be asserted by any party with respect to any matter that is the subject of this Article IX shall be a contract action to enforce, or to recover damages for the breach of, this Article IX. Notwithstanding the foregoing, the limitations set forth in this Section 9.9 shall not apply to any claim arising out of or by virtue of willful misconduct or fraud of any party to this Agreement, or any person acting on their behalf in connection with the transactions contemplated by this Agreement.

SECTION 9.10 Holdback; Setoff.

Purchaser shall have the right to holdback any payment of the Earn-out Consideration until all of the outstanding claims, for which a Claim Notice has been provided as of the date of the applicable payment of the Earn-out Consideration, are settled. In addition, Purchaser shall have the right to set off from the Earn-out Consideration any and all Damages to the Purchaser Indemnitees that such Purchaser Indemnitees are entitled to be indemnified for, or be held harmless with respect thereto, under the provisions of this Article IX.

ARTICLE X
TAX MATTERS

SECTION 10.1 Preparation and Filing of Tax Returns.

(a) Purchaser shall prepare or cause to be prepared, at the Equityholders' expense (to be funded by the Equityholder Representative out of the Expense Fund on behalf of the Equityholders, to the extent available, and thereafter by the Equityholders directly), and timely file or cause to be filed, all Tax Returns of the Company required to be filed after the Closing Date for any Pre-Closing Tax Period or any Straddle Period. Purchaser shall permit Equityholder Representative to review and comment on each Tax Return described in the preceding sentence that is either an Income Tax Return of which reflects any Tax liability in excess of the amount of such Taxes that is included in Closing Indebtedness or Transaction Expenses (each as finally determined pursuant to Section 2.12) and for which the Equityholders are responsible, and shall incorporate Equityholder Representative's reasonable comments into such Tax Returns but only to the extent such comments could reasonably be expected to affect the indemnification obligations of the Equityholders pursuant hereto. Except as otherwise required pursuant to applicable Law, or permitted with Equityholder Representative's consent (which consent shall not be unreasonably withheld, conditioned, or delayed), all Tax Returns prepared pursuant to this Section 10.1 shall be prepared and filed in a manner consistent with past practices of the Company. Purchaser shall not amend or cause to be amended any Tax Return of the Company for any Pre-Closing Tax Period or take any other action with respect to any such period that could reasonably be expected to increase any indemnification obligations of the Equityholders hereunder, in each case, without the prior written consent of the Equityholder Representative, which consent shall not be unreasonably withheld, conditioned, or delayed. The parties acknowledge and agree that for U.S. federal Income Tax purposes, the taxable year of the Company will end at the end of the day on the Closing Date and, to the extent applicable Tax Laws in other taxing jurisdictions so permit or require, the parties will elect to cause the taxable year of the Company to terminate at the end of the day on the Closing Date.

(b) All Taxes payable with respect to Pre-Closing Tax Periods and the portion of the Straddle Period ending on the Closing Date, including the Tax Returns prepared pursuant to Section 10.1(a), shall be borne by the Equityholders except to the extent and in such amount as such Taxes are included in Closing Indebtedness or Transaction Expenses (each as finally determined pursuant to Section 2.12), and the Equityholder Representative, on behalf of the Equityholders, shall pay such Taxes to Purchaser no later than seven Business Days prior to the due date for filing such Tax Returns. For purposes of this Agreement, the portion of Taxes allocable to the portion of a Straddle Period ending on the Closing Date shall (i) in the case of property, ad valorem and other Taxes imposed on a periodic basis, be deemed to be the amount of such Taxes for the entire Straddle Period multiplied by a fraction the numerator of which is the number of days in the Straddle Period ending on (and including) the Closing Date and the denominator of which is the number of days in the entire Straddle Period, and (ii) in the case of any other Taxes, be deemed equal to the amount that would be payable if the relevant Straddle Period ended as of (and included) the Closing Date pursuant to an interim closing-of-the-books. Any credits relating to a Straddle Period shall be taken into account as though the relevant Tax period ended at the end of the day on the Closing Date. All determinations necessary to give effect to the allocations described in this Section 10.1(b) shall be made in a manner consistent with the prior practice of the Company, except for changes required by Law.

SECTION 10.2 Prohibited Actions. Purchaser shall not, and shall cause its Affiliates not to, without the prior written consent of the Equityholder Representative (which consent shall not be unreasonably withheld, conditioned or delayed) amend any Tax Return, make, change or revoke any Tax election, file any Tax Return in a jurisdiction in which Tax Returns have not previously been filed by that entity, initiate or enter into any voluntary disclosure agreement or similar agreements, extend any applicable statute of limitations or take any other similar action outside the ordinary course of business, in each case with respect to the Company and relating to any Pre-Closing Tax Period or Straddle Period, to the extent that doing so could increase the liability of the Company for Taxes under applicable Law for which the Equityholders would be liable under this Agreement.

SECTION 10.3 Control of Audit or Tax Litigation. After the Closing Date, Purchaser shall control any Proceedings that relates to Taxes or Tax Returns of the Company (each a "Tax Controversy") with respect to a Pre-Closing Tax Period or Straddle Period, and shall have the right to employ counsel and other advisors of its choice; *provided that*, with respect to any such Tax Controversy, (a) Purchaser shall promptly notify the Equityholder Representative of any such Tax Controversy; *provided that*, Purchaser's failure or delay in notifying the Equityholder Representative of a Tax Controversy will not relieve Equityholders of any liability that it may have to Purchaser under this Agreement, except to the extent that Equityholders are actually and materially prejudiced by such failure or delay, (b) Purchaser shall allow the Equityholder Representative to participate in any such Tax Controversy at Equityholders' expense, and (c) Purchaser shall not settle or otherwise resolve any such Tax Controversy to the extent such settlement or resolution would actually and materially increase the indemnification obligations of the Equityholders pursuant to Section 9.3) unless Purchaser obtains Equityholder Representative's prior consent (which consent shall not be unreasonably withheld, delayed or conditioned).

SECTION 10.4 Cooperation. Purchaser, the Company and the Equityholder Representative (on behalf of Equityholders and to the extent in its possession) shall cooperate, as and to the extent reasonably requested by the other party (including the furnishing, upon request and as promptly as practical, such information, including reasonable access to books and records) in connection with the preparation and filing of any Tax Return and any Tax Controversy, and each shall execute and deliver such powers of attorney and other documents as are necessary to carry out the intent of this Section 10.4.

SECTION 10.5 Transfer Taxes. All sales, use, transfer, real property transfer, documentary, recording, gains, share transfer and similar Taxes and fees, and any deficiency, interest or penalty asserted with respect thereto, arising out of or in connection with the transactions effected pursuant to this Agreement (collectively, "Transfer Taxes") shall be borne by Purchaser. Purchaser and the Equityholders shall reasonably cooperate in timely making all filings, Tax Returns, reports and forms as may be required with respect to all such Transfer Taxes. Purchaser and the Equityholders agree to use commercially reasonable efforts to obtain any certificate, including a resale certificate, or other document from any Governmental Entity as may be necessary to mitigate, reduce, or eliminate any Transfer Taxes.

SECTION 10.6 Tax Refunds. Any Tax refunds (including any interest in respect thereof) that are actually recognized (in cash or as a credit reducing Taxes that would otherwise be due) by Purchaser, the Surviving Corporation, or their respective Affiliates, with respect to Taxes of the Company arising in a Pre-Closing Tax Period or the portion of a Straddle Period ending on the Closing Date, in each case, to the extent such Taxes were paid by the Company and such Tax refunds were not taken into account as an increase to the Merger Consideration, shall be for the benefit of the Equityholders, and Purchaser shall pay or cause to be paid over to the Paying Agent for further distribution to the Equityholders any such Tax refunds within 20 days after Purchaser's, the Surviving Corporation's, or their respective Affiliate's actual receipt or entitlement thereof. Notwithstanding anything to the contrary herein, the amount of any payment Purchaser makes or causes to be made pursuant to this Section 10.6 shall be calculated net of any reasonable costs (including Taxes) incurred by Purchaser, the Surviving Corporation, or their respective Affiliates, of obtaining, distributing, or paying over the applicable Tax refund.

SECTION 10.7 Tax Sharing Agreements. All Tax Sharing Agreements, other than this Agreement, shall be terminated as of the Closing and, after the Closing, neither Purchaser nor the Surviving Corporation shall have any liability under any such Tax Sharing Agreement.

SECTION 10.8 104H Tax Ruling. The Company and the Equityholders (represented by the Equityholder Representative) shall prepare and file with the ITA, no later than five (5) Business Days from the date of this Agreement, applications for rulings, which, among others, (i) are permitting any Shareholders (other than with respect to their Company 102 Shares) 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 in Purchaser 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*"*; the 104H Tax Ruling may initially be issued by the ITA in the form of an interim pre-ruling, which shall be referred hereto as the "104H Interim Tax Ruling"); and (ii) confirming, a as part of a "102 ruling", that the conversion of the Company Options into the assumed options to purchase Ordinary Shares of the Purchaser, and the conversion of Company 102 Shares into Ordinary Shares of the Purchaser, will not result in a requirement for an immediate Israeli tax payment, and that the Israeli taxation will be deferred until the exercise of the options issued in exchange of the Company Options, or in the event of assumed options which are Company 102 Options, until the earlier of: (x) the actual sale of the Ordinary Shares of Purchaser covered by the assumed options, or the release of the assumed options and/or the Ordinary Shares of Purchaser covered by the assumed options from trust (the "102 Tax Rulings", and collectively with the 104H Tax Ruling and the 104H Interim Ruling, the "Israeli Income Tax Rulings"). 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 Israeli Income Tax Rulings; provided that any costs associated with the application for the Israeli Income Tax Rulings shall be paid by the Company or reduced as Transaction Expenses. Subject to the terms and conditions hereof, the Company and the Equityholders 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 Israeli Income Tax Rulings, 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 the Israeli Income Tax Rulings without first consulting with the Purchaser's Israeli legal counsel, granting Purchaser's legal counsel the opportunity to review and comment on the draft application and obtaining the Purchaser's approval for those Israeli Income Tax Rulings, and the Company and the Electing Holders shall inform Purchaser's counsel of the content of any material discussions and meetings relating thereto.

ARTICLE XI
TERMINATION

SECTION 11.1 General. The parties shall have the rights and remedies with respect to the termination and/or enforcement of this Agreement that are set forth in this Article XI.

SECTION 11.2 Right to Terminate. This Agreement and the transactions contemplated by this Agreement may be terminated at any time prior to the Closing by prompt notice given in accordance with Section 14.3:

(a) by the mutual written consent of Purchaser and the Company;

(b) by either of such parties if the Closing shall not have occurred at or before 11:59 p.m., Israeli time, on December 31, 2021; provided that the right to terminate this Agreement under this Section 11.2(b) shall not be available to any party whose failure to fulfill any of its obligations under this Agreement has been the principal cause of or resulted in the failure of the Closing to occur on or prior to the aforesaid date;

(c) by Purchaser in the event of any material breach by the Company of any of its agreements, representations or warranties contained herein such that the closing conditions set forth in Section 8.2(a) or Section 8.2(b), as applicable, would not be satisfied, and the failure of the Company to cure such breach within thirty (30) days after receipt of notice from Purchaser of such breach; *provided*, *that*, Purchaser is not then in breach of this Agreement so as to cause a condition to the Closing set forth in either Section 8.1(a) or Section 8.1(b) to not be satisfied as of the Closing;

(d) by the Company in the event of any material breach by Purchaser or Merger Sub of any of Purchaser's or Merger Sub's agreements, representations or warranties contained herein such that the closing conditions set forth in Section 8.1(a) or Section 8.1(b), as applicable, would not be satisfied, and the failure of Purchaser to cure such breach within 30 days after receipt of notice from Equityholder requesting such breach to be cured; *provided*, *that*, the Company is not then in breach of this Agreement so as to cause a condition to the Closing set forth in either Section 8.2(a) or Section 8.2(b) to not be satisfied as of the Closing; or

(e) by Purchaser or the Company if there shall be in effect a final, non-appealable Order of a court of competent jurisdiction in effect precluding consummation of the transactions contemplated by this Agreement; provided that, the right to terminate this Agreement under this Section 11.2(e) shall not be available to any party whose failure to fulfill any of its obligations under this Agreement has been the principal cause of or resulted in the Order; or

SECTION 11.3 Remedies Upon Termination. If this Agreement is terminated pursuant to Section 11.2, each of the parties to this Agreement shall be relieved of their respective duties and obligations under this Agreement to the extent that such duties and obligations would otherwise arise after the date of such termination, except as set forth in Section 11.4, Section 11.5, Section 14.1, Section 14.2 or Section 14.3, and no party to this Agreement shall have any claim against any other party to this Agreement, unless the circumstances giving rise to the termination of this Agreement were caused by a party's willful misconduct or fraud or willful and intentional breach of a representation, warranty or covenant set forth in this Agreement (which, for the avoidance of doubt, will be deemed to include any failure by Purchaser to consummate the transactions contemplated hereby if obligated to do so under this Agreement), in which event termination of this Agreement shall not be deemed or construed as limiting or denying any legal or equitable right or remedy of the non-breaching parties. If following the termination of this Agreement any Proceeding is commenced by any party to pursue any legal or equitable right or remedy against any other party whose willful misconduct or fraud or willful and intentional breach of a representation, warranty or covenant herein results in the termination of this Agreement, all fees, costs and expenses, including reasonable attorneys' fees and court costs, incurred by the prevailing party in such Proceeding shall be reimbursed by the losing party; provided that, if a party to such Proceeding prevails in part, and loses in part, the court, arbitrator or other adjudicator presiding over such Proceeding shall award a reimbursement of the fees, costs and expenses incurred by such party on an equitable basis.

SECTION 11.4 Certain Other Effects of Termination. In the event of the termination of this Agreement by either the Company or Purchaser as provided in Section 11.2:

(a) each party, if so requested by the other party, will comply with the provisions of Section 5 of the Confidentiality Agreement *mutatis mutandis* with respect to all documents furnished to it by the other party (or any subsidiary, division, associate or Affiliate of such other party) in connection with the transactions contemplated by this Agreement, whether so obtained before or after the execution of this Agreement, and any copies thereof (except for copies of documents publicly available) that may have been made; and

(b) the Confidentiality Agreement shall remain in full force and effect in accordance with Section 6.1 and survive termination of this Agreement.

ARTICLE XII
EQUITYHOLDER REPRESENTATIVE

SECTION 12.1 Appointment of the Equityholder Representative. By virtue of approval of the Merger and this Agreement or other appointment authorization documentation, including the Voting Agreements, or by accepting any consideration payable hereunder, each of the Equityholders shall be deemed to have agreed to irrevocably appoint the Equityholder Representative as such Equityholder's and the Equityholders' attorney-in-fact and exclusive agent in connection with the execution and performance of this Agreement as set forth in this **Error! Reference source not found.** This power is irrevocable and coupled with an interest, and shall not be affected by the death, incapacity, illness, dissolution or other inability to act of any Equityholder.

SECTION 12.2 Authority of the Equityholder Representative. Each Equityholder hereby irrevocably grants the Equityholder Representative full power and authority to take such actions as it may deem necessary or appropriate in connection with, or to consummate, the transactions contemplated by this Agreement, including:

(a) to execute and deliver, on behalf of such Equityholder, and to accept delivery of, on behalf of such Equityholder, such documents as may be deemed by the Equityholder Representative, in its sole discretion, to be appropriate to consummate this Agreement;

(b) to endorse and to deliver on behalf of such Equityholder, certificates representing the Company Shares to be sold by such Equityholder (if a Shareholder) at the Closing;

(c) to (i) dispute or refrain from disputing, on behalf of such Equityholder, any claim made by Purchaser under this Agreement or any other Transaction Document; (ii) negotiate and compromise, on behalf of such Equityholder, any dispute that may arise under, and to exercise or refrain from exercising any remedies available under, this Agreement or any other Transaction Document; and (iii) execute, on behalf of such Equityholder, any settlement agreement, release or other document with respect to such dispute or remedy;

(d) to waive, on behalf of such Equityholder, any Closing condition contained in Article VIII of this Agreement and to give or agree to, on behalf of such Equityholder, any and all consents, waivers, amendments or modifications, deemed by the Equityholder Representative, in its sole discretion, to be necessary or appropriate, under this Agreement or any other Transaction Document, and, in each case, to execute and deliver any documents that may be necessary or appropriate in connection therewith;

(e) to enforce, on behalf of such Equityholder, any claim against Purchaser arising under this Agreement;

(f) to engage attorneys, accountants and agents at the expense of Equityholders, and to incur other out-of-pocket expenses related to the performance of its services hereunder, and, as appropriate, to cause funds to be disbursed from the Expense Fund to fund such expenses;

(g) to calculate the Pro Rata Share or Indemnifying Pro Rata Share of any Equityholder or Joining Equityholder at any time following the Effective Time (and the Equityholder Representative shall prepare and provide such calculation to Purchaser within two Business Days of any request by Purchaser, and Purchaser hall be entitled to conclusively rely on any such calculation for all purposes hereunder and under the Transaction Documents);

(h) to amend this Agreement (other than this Section 12.2) or any Transaction Document or any of the instruments to be delivered to Purchaser by such Equityholder pursuant to this Agreement; and

(i) to do or refrain from doing any further act or deed on behalf of any Equityholder or the Equityholders which the Equityholder Representative deems necessary or appropriate in its sole discretion relating to the subject matter of this Agreement or the other Transaction Documents.

Notwithstanding the foregoing, the Equityholder Representative shall have no obligation to act on behalf of the Equityholders, except as expressly provided herein, in the Escrow and Paying Agent Agreement and for purposes of clarity, there are no obligations of the Equityholder Representative in any ancillary agreement, schedule, exhibit or the Disclosure Schedules. The Equityholder Representative shall be entitled to: (i) rely upon the Payout Spreadsheet, (ii) rely upon any signature believed by it to be genuine, and (iii) reasonably assume that a signatory has proper authorization to sign on behalf of the applicable Equityholder or other party.

Notwithstanding anything herein to the contrary, the Equityholder Representative shall not be entitled to, and shall not, take any action that would or would be reasonably expected to (A) cause any Equityholder's liability hereunder to exceed its respective portion of the Purchaser Share Consideration due to the Equityholder, (B) result in the Purchaser Share Consideration due to any Equityholder being distributed in any manner other than as set forth in this Agreement the Escrow and Paying Agent Agreement, or (C) result in an increase of any Equityholder'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 Equitholders' prior written consent.

SECTION 12.3 Reliance. Each Equityholder hereby agrees to the following:

(a) In all matters in which action by the Equityholder Representative is required or permitted, the Equityholder Representative is authorized to act on behalf of such Equityholder, notwithstanding any dispute or disagreement among the Equityholders or between any Equityholder and the Equityholder Representative, and Purchaser shall be entitled to rely on any and all action taken by the Equityholder Representative under this Agreement without any liability to, or obligation to inquire of, any Equityholder, notwithstanding any knowledge on the part of Purchaser of any such dispute or disagreement.

(b) All actions taken by the Equityholder Representative under this Agreement or the Escrow and Paying Agent Agreement shall be binding upon each Equityholder and such Equityholder's successors as if expressly confirmed and ratified in writing by such Equityholder, and all defenses which may be available to any Equityholder to contest, negate or disaffirm the action of the Equityholder Representative taken in good faith under this Agreement or the Escrow and Paying Agent Agreement are waived.

(c) Notice to the Equityholder Representative, delivered in the manner provided in Section 14.3, shall be deemed to be notice to any Equityholder and all Equityholders for purposes of this Agreement.

(d) The power and authority of the Equityholder Representative, as described in this Agreement: (i) are coupled with an interest and shall be irrevocable and survive the death, incompetence, bankruptcy or liquidation of any Equityholder and shall be binding on any successor thereto, (ii) shall continue in force until all rights and obligations of Equityholders under this Agreement shall have terminated, expired or been fully performed, and (iii) shall survive the delivery of an assignment by any Equityholder of the whole or any fraction of his, her or its interest in the Indemnity Escrow Amount.

(e) The Equityholder Representative may resign at any time and a majority-in-interest of Equityholders (based on their respective Pro Rata Shares) shall have the right, exercisable from time to time upon written notice delivered to the Equityholder Representative and Purchaser, to remove the Equityholder Representative, with or without cause, and to appoint an Equityholder (or, in the case of an Equityholder that is a corporation, partnership, limited liability company or trust, an officer, manager, employee or partner of such Equityholder) to fill a vacancy caused by the death, resignation or removal of the Equityholder Representative. The immunities and rights to indemnification shall survive the resignation or removal of the Equityholder Representative and the Closing and/or any termination of this Agreement and the Escrow and Paying Agent Agreement.

(f) If the Equityholder Representative resigns or is removed or otherwise ceases to function in his capacity as such for any reason whatsoever, and no successor is appointed pursuant Section 12.2(e) within 30 days, then Purchaser shall have the right to appoint a reputable service provider as an Equityholder to act as the Equityholder Representative to serve as described in this Agreement. The cost of such service provider will be borne by the Equityholders.

SECTION 12.4 Indemnification of the Equityholder Representative. Each Equityholder shall severally, but not jointly, indemnify the Equityholder Representative and defend and hold the Equityholder Representative harmless against any Damages (except such Damages resulting from the Equityholder Representative's fraud or willful misconduct) that the Equityholder Representative may suffer or incur in connection with any action or omission of the Equityholder Representative. Each Equityholder shall bear its Indemnifying Pro Rata Share of such Damages. Such Damages may be recovered first, from the Expense Fund, second, from any distribution of the Indemnity Escrow Amount otherwise distributable to the Equityholders at the time of distribution, and third, directly from the Equityholders. The Equityholder Representative shall not be liable to any Equityholder with respect to any action or omission taken or omitted to be taken by the Equityholder Representative pursuant to this Article XII, except for the Equityholder Representative's fraud or willful misconduct. The Equityholders acknowledge that, as between the Equityholders and the Equityholder Representative, the Equityholder Representative shall not be required to expend or risk its own funds or otherwise incur any financial liability in the exercise or performance of any of its powers, rights, duties or privileges or pursuant to this Agreement, the Escrow and Paying Agent Agreement or the transactions contemplated hereby or thereby. Furthermore, the Equityholder Representative shall not be required to take any action unless the Equityholder Representative has been provided with funds, security or indemnities which, in its determination, are sufficient to protect the Equityholder Representative against the costs, expenses and liabilities which may be incurred by the Equityholder Representative in performing such actions. The Equityholders shall be responsible for ensuring that the Equityholder Representative can comply with Equityholder Representative's obligations under this Agreement.

SECTION 12.5 Expense Fund. In accordance with Section 2.7(c) on the Closing Date, Company shall wire cash to the account of the Equityholder Representative in the amount of [$100,000] (the "Expense Fund Amount"). The Expense Fund Amount shall be held by the Equityholder Representative as agent and for the benefit of the Equityholders in a segregated client account and shall be used for the purposes of paying directly or reimbursing the Equityholder Representative for any expenses or Damages of the Equityholder Representative incurred pursuant to this Agreement, the Escrow and Paying Agent Agreement or the Equityholder Representative Engagement Agreement (the "Expense Fund"). The Equityholder Representative is not providing any investment supervision, recommendations or advice and shall have no responsibility or liability for any loss of principal of the Expense Fund other than as a result of its fraud or willful misconduct. The Equityholder Representative is not acting as a withholding agent or in any similar capacity in connection with the Expense Fund, and has no tax reporting or income distribution obligations hereunder. The Equityholders will not receive any interest on the Expense Fund and assign to the Equityholder Representative any such interest. The Equityholder Representative may contribute funds to the Expense Fund from any consideration otherwise distributable to the Equityholders. As soon as reasonably determined by the Equityholder Representative that the Expense Fund is no longer required to be withheld, and in any event not later than the date on which all funds are released from the Indemnity Escrow Account, the Equityholder Representative shall distribute the then remaining amount of the Expense Fund, if any, to the Paying Agent and the Surviving Corporation, as applicable, for further distribution to the Equityholders based on their respective Indemnifying Pro Rata Shares in accordance with the same procedure set forth in Section 2.4 for the payment to the Equityholders of amounts remaining in the Indemnity Escrow Account.

ARTICLE XIII
ADDITIONAL COVENANTS

SECTION 13.1 Limitation on Warranties; No Reliance. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES EXPRESSLY SET FORTH IN THIS AGREEMENT AND THE OTHER TRANSACTION DOCUMENTS (WHICH, FOR THE AVOIDANCE OF DOUBT, ARE QUALIFIED BY THE DISCLOSURE SCHEDULE AND PURCHASER DISCLOSURE SCHEDULE), NONE OF THE COMPANY, THE EQUITYHOLDERS OR THE EQUITYHOLDER REPRESENTATIVE IS MAKING OR WILL BE DEEMED TO HAVE MADE ANY OTHER REPRESENTATIONS OR WARRANTIES, WRITTEN OR ORAL, COMMON LAW OR STATUTORY, EXPRESS OR IMPLIED (INCLUDING WITH RESPECT TO NON-INFRINGEMENT, MERCHANTABILITY OR SUITABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE), AS TO THE ACCURACY OR COMPLETENESS OF, OR THE DISTRIBUTION TO, OR USE BY, PURCHASER OF, ANY ADVICE, DOCUMENT, OR OTHER INFORMATION REGARDING THE COMPANY SHARES, THE COMPANY OR THE BUSINESS, FINANCIAL CONDITION OR ASSETS (INCLUDING THE CONDITION, VALUE, QUALITY OR SUITABILITY OF ANY ASSETS) OR LIABILITIES OF THE COMPANY, INCLUDING FORWARD-LOOKING STATEMENTS (ANY OF THE FOREGOING, AN "EXTRA-CONTRACTUAL STATEMENT"). PURCHASER REPRESENTS, WARRANTS, AND ACKNOWLEDGES THAT, EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT OR ANY OF THE OTHER TRANSACTION DOCUMENTS, NONE OF THE COMPANY, ANY EQUITYHOLDER, OR THE EQUITYHOLDER REPRESENTATIVE, OR ANY AGENT OR OTHER PERSON ACTING ON ANY OF THEIR BEHALVES HAS MADE, AND EACH OF THEM HEREBY EXPRESSLY DISCLAIM AND NEGATE, AND EACH OF PURCHASER AND ITS AFFILIATES IS NOT RELYING ON, ANY EXTRA-CONTRACTUAL STATEMENT (INCLUDING ANY EXPRESS OR IMPLIED WARRANTY RELATING TO THE COMPANY SHARES OR ANY ASSET (TANGIBLE, INTANGIBLE OR MIXED), INCLUDING IMPLIED WARRANTIES OF FITNESS, NON-INFRINGEMENT, MERCHANTABILITY OR SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE). Notwithstanding anything to the contrary set forth herein, the foregoing representations and agreements of Purchaser in this Section 13.1 assume the absence of willful misconduct or fraud on the part of the Company, the Equityholders and their respective directors, managers, officers, affiliates, representatives or advisors or any other Person in connection with the making of the representations, warranties or covenants under this Agreement, and Purchaser is relying upon such absence of such willful misconduct or fraud.

SECTION 13.2 Specific Reliance. The parties have specifically relied upon this Article XIII, together with the provisions of Section 14.4, in agreeing to the Merger Consideration and in agreeing to provide the specific representations and warranties set forth herein.

SECTION 13.3 Company Shareholders Meeting. As soon as reasonably practicable following the date of this Agreement, but in no event later than the seventh Business Day after the date hereof, the Company shall send a notice to convene a shareholder meeting of its shareholders to approve this Agreement and the Merger in accordance with its Charter and the ICL to be held no later than 7 calendar days following the notice. No later than three (3) days after the date of such approval, Merger Sub shall (in accordance with Section 317(b) of the ICL and the regulations thereunder) inform the Companies Registrar of such approval.

SECTION 13.4 Merger Proposal; Certificate of Merger.

(a) Subject to the ICL and the regulations promulgated thereunder, as promptly as practicable following the date hereof the Company and Merger Sub, as applicable, shall take the following actions within the timeframes set forth herein; provided, however, that any such actions or the timeframe for taking such action shall be subject to any amendment in the applicable provisions of the ICL and the regulations promulgated thereunder (and in case of an amendment thereto, such amendment shall automatically apply so as to amend this Section accordingly): (a) cause a merger proposal (in the Hebrew language) in the form of Exhibit B (the "Merger Proposal") to be executed in accordance with Section 316 of the ICL, (b) deliver the Merger Proposal to the Companies Registrar within three (3) days from the calling of the shareholders meeting, (c) the Company shall cause a copy of the Merger Proposal to be delivered to its secured creditors, if any, no later than three (3) days after the date on which the Merger Proposal is delivered to the Companies Registrar, (d) promptly after the Company shall have complied with the preceding sentence and with clauses (i) and (ii) of this Section, but in any event no more than three (3) days following the date on which such notice was sent to the creditors, the Company and Merger Sub shall inform the Companies Registrar, in accordance with Section 317(b) of the ICL, that notice was given to their respective creditors, if any, under Section 318 of the ICL (and regulations promulgated thereunder), (e) each of the Company and, if applicable, Merger Sub, shall: (i) publish a notice to its creditors, stating that a Merger Proposal was submitted to the Companies Registrar and that the creditors may review the Merger Proposal at the office of the Companies Registrar, Company's registered office or Merger Sub's registered offices, as applicable, and at such other locations as the Company or Merger Sub, as applicable, may determine, in (A) two daily Hebrew newspapers, on the day that the Merger Proposal is submitted to the Companies Registrar, (B) solely to the extent that the Company has any "Substantial Creditors" (as such term is defined in the regulations promulgated under the ICL) outside of Israel, in a popular newspaper in such applicable jurisdictions, as may be required by applicable Law; (ii) within four (4) business days from the date of submitting the Merger Proposal to the Companies Registrar, send a notice by registered mail to all of the Substantial Creditors that the Company or Merger Sub, as applicable, is aware of, in which it shall state that a Merger Proposal was submitted to the Companies Registrar and that the creditors may review the Merger Proposal at such additional locations, if such locations were determined in the notice referred to in the immediately preceding clause (i); and (iii) send to the Company's "employees committee" (Va'ad Ovdim) or display in a prominent place at the Company's premises a copy of the notice published in a daily Hebrew newspaper (as referred to in clause (i)(A) of this Section, no later than three (3) business days following the day on which the Merger Proposal was submitted to the Companies Registrar, (f) not later than three (3) days after the date on which the approval of the Company Shareholders Meeting shareholders (to include the Requisite Supporting Shareholders) is received (the "Company Shareholder Approval"), the Company shall (in accordance with Section 317(b) of ICL and the regulations thereunder) inform the Companies Registrar of such approval, and (g) in accordance with the customary practice of the Companies Registrar, the Company and Merger Sub shall request, following coordination with Merger Sub, that the Companies Registrar declare the Merger effective and issue the Certificate of Merger upon such date as the Company and Merger Sub shall advise the Companies Registrar. For the avoidance of doubt, and notwithstanding any provision of this Agreement to the contrary, it is the intention of the parties that the Merger shall be declared effective and the Certificate of Merger shall be issued on the Closing Date, as a condition to the Closing taking place. For purposes of this Section, "business day" shall have the meaning set forth in the Merger Regulations 5760-2000 promulgated under the ICL.

(b) Immediately following the approval of this Agreement and the Merger by the Requisite Supporting Shareholders (it being agreed that the execution by the Requisite Supporting Shareholders of the Voting Agreement shall be deemed as approval of the Merger by the Requisite Supporting Shareholders), the sole shareholder of Merger Sub shall approve the Merger subject to the satisfaction or waiver (to the extent permitted hereunder) of all the conditions to Closing (other than those that by their nature may only be satisfied or waived at Closing). No later than three (3) days after the date of such approval, Merger Sub shall (in accordance with Section 317(b) of the ICL and the regulations thereunder) inform the Companies Registrar of such approval.

SECTION 13.5 Tax Rulings.

(a) As soon as practicable following the date of this Agreement but in no event later than five (5) days after the date hereof, the Company shall instruct its Israeli counsel, advisors and accountants to prepare and file with the ITA an application for a ruling (which shall be confirmed by Purchaser prior to its submission), or alternatively provide evidence that no withholding will be required with regard to the issuance of the Merger Consideration to the Paying Agent, to the reasonable satisfaction of the Purchaser, that (A) exempts the applicable Payor and its respective agents from any obligation to withhold Israeli Tax at the source from any consideration payable or otherwise deliverable pursuant to this Agreement, including the Merger Consideration, or clarifying that no such obligation exists, or (B) clearly instructs the applicable Payor and its respective agents on how such withholding at the source is to be executed, and in particular, with respect to the classes or categories of holders of the Company Shares or Company Options from which Tax is to be withheld (if any) and the rate or rates of withholding to be applied (the "Withholding Tax Ruling").

(b) Each of the Company and Purchaser shall cause their respective Israeli 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 Withholding Tax Ruling. The final text of the Withholding Tax Ruling shall be subject to the prior written confirmation of Purchaser and its counsel and tax advisors, which consent shall not be unreasonably withheld, conditioned or delayed. The Company and its Representatives shall not make any application to, or conduct any negotiation with, the ITA with respect to matters relating to the Withholding Tax Ruling without prior coordination with Purchaser or its Representatives, and will coordinate with Purchaser's Representatives their participation in all discussions and meetings with the ITA relating thereto. Furthermore, the Company shall keep Purchaser and its agents and representatives informed, on a prompt basis (and, in any event, within 24 hours) of its receipt of any notice or information in connection with any of the above rulings or approvals. To the extent that the Purchaser's Representatives elect not to participate in any such meeting or discussion, the Company's Representatives shall promptly thereafter provide the Purchaser's Representatives a report of the discussions and/or meetings held with the ITA. Subject to the terms and conditions hereof, the 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 Withholding Tax Ruling, as promptly as practicable.

ARTICLE XIV
MISCELLANEOUS

SECTION 14.1 Transaction Expenses. Except as otherwise provided in this Agreement, each party shall bear all fees and expenses incurred by such party in connection with, relating to or arising out of the negotiation, preparation, execution, delivery or performance of this Agreement or the consummation of the transactions contemplated by this Agreement or any other Transaction Document, including financial advisors', attorneys', accountants' and other professional fees and expenses in connection with the transactions contemplated by this Agreement or any other Transaction Document.

SECTION 14.2 Publicity. Up until the Closing, press releases and other publicity concerning the transactions contemplated by this Agreement shall be made only with the prior written agreement of the Company and Purchaser, unless the Purchaser determines, in its reasonable discretion after consultation with outside legal counsel, that it is required (or may be deemed required) by applicable Law or share exchange or listing rules to issue or cause the publication of any press release or any public announcement with respect to the transactions contemplated by this Agreement, in which event Purchaser shall make reasonable endeavors to provide an opportunity, subject to the limitations of the applicable Law and the said rule, to the Company to review and comment upon such press release or public announcement in advance. Following the Closing, (i) except as otherwise required by Law or applicable share exchange rules, no press releases or other publicity shall state the amount of the Merger Consideration and (ii) neither the Equityholder Representative nor any Equityholder shall make any press release or public announcement concerning the transactions contemplated by this Agreement without the prior written agreement of Purchaser, except to the extent that any such release or announcement contains only statements that are consistent with previous statements made jointly or with the approval with Purchaser.

SECTION 14.3 Notices. All notices required or permitted to be given hereunder shall be in writing and may be delivered by hand, by email in .pdf format or similar format, by nationally recognized private courier, or by registered mail; provided that, with respect to notices delivered to the Equityholder Representative, such notices must be delivered solely via via email. Notices delivered by mail shall be deemed given three Business Days after being deposited in the mail, postage prepaid, registered or certified mail, return receipt requested. Notices delivered by hand shall be deemed delivered when actually delivered. Notices given by nationally recognized private courier shall be deemed delivered on the date delivery is promised by the courier. Notices given by email shall be deemed given on the first Business Day following receipt. All notices shall be addressed as follows:

If to the Company (before the Closing) or the Equityholder Representative:

Zebra Medical Vision Ltd.

Attn: Zohar Elhanani

Email: zohar@zebra-med.com

[EQUITYHOLDER REPRESENTATIVE]
[ADDRESS]
Attn: Amit Perry
Email: amit@perryllion.com

with a copy (which will not constitute notice) to:

Horn & Co. Law Offices
Investments Tower, Weizmann St. 2,
Floor 24, Tel Aviv 6423902 , Israel
Attn.: Yuval Horn
E-mail: yhorn@hornlaw.co.il

If to any of the Company (following the Closing), Purchaser, to each of:

Nano-X Imaging Ltd
Communications Centre,
Neve Ilan, Israel 9085000
Attention: Ran Poliakine, CEO
E-mail: ran.p@nanox.vision

with a copy (which will not constitute notice) to:

Amit, Pollak, Matalon & Co.
APM House
18 Raoul Wallenberg St., 6th Floor
Tel Aviv 6971915, Israel
Facsimile: +972-3-5689001
E-mail: ianr@apm.law and sbr@apm.law
Attention: Ian Rostowsky, Adv. and Stephen Rozen, Adv.

and/or to such other respective addresses and/or addressees as may be designated by notice given in accordance with the provisions of this Section 14.3.

SECTION 14.4 Entire Agreement. This Agreement and the other Transaction Documents constitute the entire agreement between the parties respecting the transactions contemplated hereby and thereby and supersede all prior or contemporaneous written agreements, arrangements, communications and understandings and all prior and contemporaneous oral agreements, arrangements, communications and understandings among the parties with respect to the transactions contemplated hereby or thereby, including any data room materials, bid letters, term sheets, summaries, issues lists or other agreements or information. Each exhibit, schedule and the Disclosure Schedule shall be considered incorporated into this Agreement. Any amendments, or alternative or supplementary provisions, to this Agreement, must be made in writing and duly executed by an authorized representative or agent of each of the parties.

SECTION 14.5 Non-Waiver. The failure in any one or more instances of a party to insist upon performance of any of the terms, covenants or conditions of this Agreement or to exercise any right or privilege in this Agreement conferred, or the waiver by such party of any breach of any of the terms, covenants or conditions of this Agreement, shall not be construed as a subsequent waiver of any such terms, covenants, conditions, rights or privileges, but the same shall continue and remain in full force and effect as if no such forbearance or waiver had occurred. No waiver shall be effective unless it is in writing and signed by an authorized representative of the waiving party.

SECTION 14.6 Counterparts. This Agreement may be executed and delivered by each party in separate counterparts, each of which when so executed and delivered shall be deemed an original and all of which taken together shall constitute one and the same Agreement.

SECTION 14.7 Delivery by Electronic Transmission. This Agreement and any other Transaction Document, and any amendments hereto or thereto, to the extent signed and delivered by means of a facsimile machine or other electronic transmission, shall be treated in all manner and respects as an original contract and shall be considered to have the same binding legal effects as if it were the original signed version thereof delivered in person. No party hereto or to any such contract shall raise the use of a facsimile machine or other electronic transmission to deliver a signature or the fact that any signature or contract was transmitted or communicated through the use of facsimile machine or other electronic transmission as a defense to the formation of a contract and each such party forever waives any such defense.

SECTION 14.8 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable Law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable Law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, and, for purposes of such jurisdiction, such provision or portion thereof shall be struck from the remainder of this Agreement, which shall remain in full force and effect. This Agreement shall be reformed, construed and enforced in such jurisdiction so as to best give effect to the intent of the parties under this Agreement.

SECTION 14.9 Applicable Law. This Agreement and any controversy related to or arising, directly or indirectly, out of, caused by or resulting from this Agreement shall be governed and controlled as to validity, enforcement, interpretation, construction, effect and in all other respects by the internal Laws of the State of Israel applicable to contracts made in that state, without giving effect to any choice of law or conflict of law provision or rule that would cause the application of the Laws of any jurisdiction other than the State of Israel.

SECTION 14.10 Binding Effect; Benefit. This Agreement shall inure to the benefit of and be binding upon the parties, and their successors and permitted assigns. Nothing in this Agreement, express or implied, shall confer on any Person other than the parties, and their respective successors and permitted assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement, including third-party beneficiary rights.

SECTION 14.11 Assignment. This Agreement shall not be assigned by the Company or the Equityholder Representative without the prior written consent of Purchaser. This Agreement shall not be assigned by Purchaser or Merger Sub without the prior written consent of the Company; provided that, either Purchaser or Merger Sub may assign the Agreement to a Controlled Affiliate of Purchaser.

SECTION 14.12 Amendments. This Agreement shall not be modified or amended except pursuant to an instrument in writing executed and delivered on behalf of each of the parties.

SECTION 14.13 Consent to Jurisdiction. any Proceeding relating to this Agreement or the enforcement of any provision of this Agreement (including a Proceeding based upon fraud or intentional misrepresentation) shall be brought or otherwise commenced exclusively in any court located in the district of Tel Aviv, Israel. Each party to this Agreement and each Equityholder: (i) expressly and irrevocably consents and submits to the jurisdiction of each court located in the district of Tel Aviv, Israel in connection with any such Proceeding; (ii) agrees that each court located in the district of Tel Aviv, Israel shall be deemed to be a convenient forum; and (iii) agrees not to assert (by way of motion, as a defense or otherwise), in any such Proceeding commenced in any court located in the district of Tel Aviv, Israel, any claim that such party is not subject personally to the jurisdiction of such court, that such Proceeding has been brought in an inconvenient forum, that the venue of such proceeding is improper or that this Agreement or the subject matter of this Agreement may not be enforced in or by such court.

SECTION 14.14 Specific Performance. The parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof or were otherwise breached, including each party's right to consummate the transactions contemplated by this Agreement. Accordingly, each of the parties agrees that the parties shall be entitled to specific performance of the terms hereof, including an injunction or injunctions to prevent breaches of this Agreement and to otherwise enforce specifically the terms and provisions hereof (including for specific performance of any transaction contemplated by this Agreement or any other Transaction Document) in any court of competent jurisdiction, this being in addition to any other remedy to which such party is entitled at law or in equity.

SECTION 14.15 Conflicts Regarding Representation. Each of the parties acknowledges that (i) Amit, Pollak, Matalon & Co ("APM") currently serves as counsel to the Purchaser, including in connection with the negotiation, preparation, execution and delivery of this Agreement and the transactions contemplated thereby (the "Acquisition Engagement"), and in connection with this Agreement and the transactions contemplated hereby, APM has not acted as counsel for any other Person. Only the Purchaser shall be considered a client of APM in the Acquisition Engagement; and (ii) Horn & Co. ("Horn") currently serves as counsel to the Company, including in connection with the Acquisition Engagement, and in connection with this Agreement and the transactions contemplated hereby, Horn has not acted as counsel for any other Person. Only the Company shall be considered a client of Horn in the Acquisition Engagement.

Each of the Equityholders and the Company (prior to the Closing), on behalf of itself and its Affiliates (including, after the Closing, the Company) agrees, solely with respect to any claim for indemnification made by or on behalf of any of them, not to invoke any attendant attorney-client privilege, attorney work product protection or expectation of client confidentiality applicable to confidential communications between the Equityholder Representative and the Company on the one hand, and APM, on the other hand, in the course of the Acquisition Engagement.

Each of the parties to this Agreement consents to the arrangements in this Section 14.15and waives any actual or potential conflict of interest that may be involved in connection with APM's representation in the Acquisition Engagement.

SECTION 14.16 Governmental Reporting. Anything to the contrary in this Agreement notwithstanding, nothing in this Agreement shall be construed to mean that a party hereto or other Person must make or file, or cooperate in the making or filing of, any return or report to any governmental authority in any manner that such Person or such party reasonably believes or reasonably is advised is not in accordance with law.

SECTION 14.17 Headings. The headings contained in this Agreement are for convenience of reference only and shall not affect the meaning or interpretation of this Agreement.

[Signature Pages Follow]

The parties have executed this Agreement and Plan of Merger as of the date indicated in the first sentence of this Agreement.

PURCHASER:

NANO-X IMAGING LTD

By: /s/ Ran Poliakine
Name: Ran Poliakine
Its: Chief Executive Officer

MERGER SUB:

NEW ZEALAND MERGER SUB LTD.

By: /s/ Ran Poliakine
Name: Ran Poliakine
Its: Chief Executive Officer

THE COMPANY:

ZEBRA MEDICAL VISION LTD.

By: /s/ Zohar Elhanani
Name: Zohar Elhanani
Its: Chief Executive Officer

EQUITYHOLDER REPRESENTATIVE:

PERRRYLLION LTD.

By: /s/ Amit Perry
Name: Amit Perry
Its: Chief Executive Officer

ANNEX A

Defined Terms

"Accredited Investor" means a person that qualifies as an "accredited investor" as defined in the Securities Act of 1933, as amended.

"Affiliate" with respect to any Person means any other Person who directly or indirectly Controls, is Controlled by or is under common Control with such Person, including, in the case of any Person who is an individual, his or her spouse, domestic partner any of his or her descendants (lineal or adopted) or ancestors and any of their spouses or domestic partners.

"Benefit Plan" means any retirement, pension, profit sharing, deferred compensation, savings, bonus, incentive, cafeteria, medical, dental, vision, hospitalization, life insurance, accidental death and dismemberment, medical expense reimbursement, dependent care assistance, tuition reimbursement, disability, sick pay, paid time off, leave, holiday, vacation, employment, individual consulting, retention, severance, change of control, equity purchase, equity option, restricted equity, phantom equity, equity appreciation rights, fringe benefit or other employee benefit plan, program, agreement, or arrangement (including any "employee benefit plan," as defined in Section 3(3) of ERISA) (a) sponsored, maintained, contributed to, or required to be contributed to by the Company for the benefit of any current or former employee of the Company, or (b) with respect to which the Company has, or would reasonably be expected to have, any liability, provided that, the term "Benefit Plan" shall not include any plan, program or arrangement maintained or mandated by a Governmental Entity.

"Business Day" means each day that is not a Saturday, Sunday or other day on which banking institutions located in Tel Aviv, Israel or in the State of Michigan are authorized or obligated by law or executive order to close.

"Cash" means (a) all cash on hand in the Company's bank, lock box and other accounts (including cash resulting from the clearance of checks deposited with the Company prior to the Closing Date, whether or not such clearance occurs before, on or after the Closing Date), plus (b) the amount of all marketable securities owned by the Company, determined in accordance with US GAAP, in each case as of immediately prior to the Closing, but in all events excluding any cash or cash equivalents of the Company that are not freely usable by Purchaser, the Company or the Surviving Corporation because they are subject to restrictions, limitations on use or distribution by Law, Contract or otherwise, including cash held outside the United States, cash held in escrow or as a security deposit or cash representing the amount of any outstanding checks or wire transfer.

"Cause" means any one of the following: (a) embezzlement; (b) theft; (c) criminal offence; (d) act involving moral turpitude; (e) breach of confidentiality and/or non-competition undertakings contained in one's respective employment agreement with the Company and/or in any of the annexes or schedules thereto; (f) severe disciplinary breach; (g) breach of one's fiduciary duties; (h) any other material breach by an employee of the terms of his/her respective engagement agreement with the Company; or (i) any other act/or omission which under applicable law enables severance payments or prior notice redemption to be entirely or partially denied by an employer.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" is defined in the Preamble.

"Company 102 Options" means Company Options subject to Section 102 of the Ordinance.

"Company 102 Shares" means Company Shares issued upon exercise of Company 102 Options.

"Company Charter" means the Third Amended and Restated Articles of Association of the Company, dated May 30, 2018 (as amended).

"Company Incentive Plan" means the Company Share Ownership and Option Plan (2014).

"Company Options" means options to purchase Ordinary Shares pursuant to the Company Incentive Plan.

"Company Service Provider" means any current or former employee, worker, independent contractor, consultant, advisor, officer or director of the Company or any Affiliate of the Company.

"Company Shares" means Ordinary Shares of the Company, Preferred A Shares, Preferred B Shares and Preferred C Shares, as applicable.

"Company Warrants" means warrants convertible into Company Shares.

"Company Outstanding Instruments" means together the outstanding Convertible Promissory Notes under the Note Purchase Agreement dated June 19, 2020 led by TELUS Corporation and the 3. SAFE (Simple Agreement for Future Equity) with aMoon 2 Fund Limited Partnership, dated August 17, 2020 (the "Company Convertible Instruments").

"Contract" means any binding contract (written or oral), agreement, arrangement, commitment, understanding, purchase order, lease, license, or other legally binding agreement, and including all amendments thereto.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through ownership of securities, by contract or otherwise.

"Damages" means all assessments, levies, losses, damages, Liabilities, fines and penalties, whether or not arising out of Third Party Claims or other Proceedings (including reasonable attorneys' fees and expenses incurred in asserting, investigating or defending or settling any of the foregoing or the enforcement of rights hereunder).

"Data Requirements" means the requirements of all applicable Contracts, Company Data Policies, and Laws, concerning the Processing of Company Data or the confidentiality, nondisclosure, privacy, or security thereof.

"Data Room" means the iDeals online data site located at https://www4.idealsvdr.com/.

"Environmental Laws" means all federal, state and local statutes, regulations, ordinances, rules, regulations and policies having the force of law, and all court orders and decrees and arbitration awards, and the common law, which pertain to environmental matters (including the pollution or protection of the environment), worker health and safety or contamination of any type whatsoever (including those relating to the presence, use, production, generation, handling, transportation, treatment, storage, disposal, distribution, labeling, testing, processing, discharge, release, control or cleanup of Hazardous Materials).

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Equity Interest" means (a) any common, preferred, or other share capital, limited liability company interest, or membership interest, partnership interest, or similar security; (b) any warrants, options, or other rights to, directly or indirectly, acquire any security described in clause (a); (c) any other security containing equity features, voting rights, or profit participation features; (d) any security or instrument convertible or exchangeable, directly or indirectly, with or without consideration, into or for any security described in clauses (a) through (c) above or another similar security (including convertible notes); and (e) any security carrying any warrant or right to subscribe for or purchase any security described in clauses (a) through (d) above or any similar security. Without limiting the foregoing, the Company Convertible Instruments shall be deemed "Equity Interests" hereunder.

"Equityholders" means the holders of Company Shares (excluding dormant shares), Company Warrants, Company Outstanding Instruments and Vested Company Options immediately prior to the Effective Time.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Fundamental Representations" means representations and warranties contained in Section 3.1 (Organization, Existence and Good Standing), Section 3.2 (Power and Authority), Section 3.3 (Enforceability), Section 3.4 (Consents; Non-Contravention); Section 3.5 (Capitalization), Section 3.6 (Subsidiaries)), Section 3.10 (Taxes), and Section 3.28 (Brokers).

"Good Reason" means any of the following with respect to an employee of the Company: (i) a reduction of more than 12% in an employee's salary or monetary value of such employee's other material benefits, which is not applied in the same proportion to substantially all other employees of similar position; (ii) any material breach by the Company of the employment agreement with the employee which was not remedied within 15 days of the date on which the Company was notified, in writing, of such material breach by the employee; and (iii) a material and adverse change (other than in circumstances constituting Cause) in employee's position, duties or responsibilities as they exist on the date hereof.

"Governmental Entity" means any nation, any state, any province or any municipal or other political subdivision thereof, and any agency, commission, department, board, bureau, official, minister, tribunal or court, whether national, state, provincial, local, foreign or multinational, exercising executive, legislative, judicial, regulatory or administrative functions of a nation, state, province or any municipal or other political subdivision thereof.

"Government Grant" shall mean any grant, incentive, qualification, subsidy, award, participation, exemption, status, cost sharing arrangement, reimbursement arrangement or other benefit, relief or privilege, from the government of the State of Israel or any other governmental authority, or judicial or arbitral body thereof, any outstanding application to receive the same filed by the Company, including, any material Tax or other incentive granted to, provided or made available to, or enjoyed by the Company, under the Laws of the State of Israel, and further including without limitation, by or on behalf of or under the authority of the IIA, the Investment Center, the BIRD Foundation or any other bi/multi-national grant programs for research and development, the European Union, the Fund for Encouragement of Marketing Activities of the Israeli Government or any other governmental authority.

"Hazardous Material" means any substance that is listed, defined, or regulated as a "hazardous material," "hazardous waste," "hazardous substance," or "toxic substance," or that is otherwise regulated under any Environmental Law as an actual or potential threat to health or the environment, including asbestos, polychlorinated biphenyls, any crude petroleum and its fractions or derivatives thereof.

"IIA" means the Israel Innovation Authority, previously known as the Research Committee of the Office of the Chief Scientist of the Israeli Ministry of Economy and Industry.

"IIA Funded Intellectual Property" means Intellectual Property, and any derivatives thereof, for which the Company or any of its Subsidiaries is the recorded "approval recipient" (as such term is used in the R&D Law) or for which the Company or any of its Subsidiaries have obligations for vis-à-vis the IIA.

"IIA Status Letter" means written approval from the IIA's Tmura fund with respect to the Company, in form and substance reasonably satisfactory to Purchaser, setting forth as of the Effective Time (x) the Government Grants that were received by the Company from the IIA (as calculated pursuant to the applicable Laws), (y) all interest and linkage accrued and fees thereon (as calculated pursuant to the applicable Laws), and (z) royalties paid to the IIA on account of the Company's Government Grants.

"Income Tax" means any Tax imposed upon or measured by net income or gross income (excluding any Tax based solely on gross receipts).

"Indebtedness" means, with respect to any Person, as of any date of determination, without duplication: (i) all indebtedness for borrowed money; (ii) that portion of obligations with respect to capital leases that is properly classified as a liability on a balance sheet in conformity with US GAAP; (iii) notes payable and drafts accepted representing extensions of credit whether or not representing obligations for borrowed money (for the avoidance of doubt, excluding any trade accounts payable to any Person); (iv) guaranties securing indebtedness for borrowed money; (v) all amounts under drawn outstanding letters of credit; (vi) all deferred compensation obligations, including (A) any underfunded pension or post-retirement Liabilities and (B) all payment obligations under any retiree medical or deferred compensation plans; (vii) all dividends and distributions payable to any shareholder of such Person and any other amounts owed to any shareholder of such Person or such Person's Affiliate, other than employee compensation and other ordinary incidents of employment in the ordinary course of business consistent with past practice and consistent with the Person's practices and policies with respect to employees generally; (viii) all obligations issued or assumed as the deferred purchase price of property or services, all conditional sale obligations and all obligations under any title retention agreement, including all obligations resulting from any holdback, performance bonus, earn-out or other contingent payment arrangement in each case related to or arising out of any prior acquisition, business combination or similar transaction, other than ongoing, ordinary-business trade debt in the amount not exceeding $50,000 in the aggregate; (ix) all obligations under any interest rate, currency or other hedging agreement; (x) all Liabilities or obligations secured by Liens on any assets; (xi) all Liabilities or obligations resulting from bank overdrafts; (xii) all unpaid Taxes for all Pre-Closing Tax Periods (and the portion of any Straddle Periods ending on the Closing Date), (xiii) all Liabilities for any outstanding severance or consulting amounts owed to any former (as of the Closing) employee, service provider or officer and any Taxes payable in connection therewith; and (xiv) all interest, any premiums payable or any other costs or charges (including any prepayment penalties, termination fees, breakage costs, make-whole and expense reimbursements) on any instruments or obligations described in clauses (i) through (xiii) hereof, all as the same may be payable upon the complete and final payoff thereof, regardless of whether such payoff occurs prior to, simultaneous with or following the Closing. For the avoidance of doubt, "Indebtedness" of the Company shall not include (A) deferred revenue of the Company incurred in the ordinary course of business , (B) undrawn amounts under letters of credit, or (C) "double trigger" severance payments to any employees of the Company arising not only as a result of the consummation of the transactions contemplated by this Agreement but that also require a subsequent action by the Company, i.e. post-Closing termination by the Company, at the direction of Purchaser. Notwithstanding the foregoing, to avoid double-counting, "Indebtedness" of the Company shall not include items to the extent that they are taken into account in the final calculation of the Transaction Expense Amount.

"Indemnified Party" means, with respect to a particular matter, a Person who is entitled to indemnification from another party hereto pursuant to Article IX.

"Indemnifying Party" means, with respect to a particular matter, a party hereto who is required to provide indemnification under Article IX to another Person.

"Indemnifying Pro Rata Share" means, with respect to a particular Equityholder and at any time, the percentage corresponding to the fraction: (a) the numerator of which is the aggregate amount of Merger Consideration actually paid or payable to such Equityholder at or prior to such time, and (b) with a denominator equal to the total amount of Merger Consideration actually paid or payable to all Equityholders at or prior to such time.

"Intellectual Property" means all intellectual property and industrial property rights, however arising, pursuant to the Laws of any jurisdiction throughout the world, whether registered or unregistered, including any and all:(a) all patents and patent applications arising under the Laws of any nation, state or jurisdiction (including any continuations, divisionals, continuations-in-part, provisionals, renewals, reissues, re-examinations and applications for any of the foregoing); (b) all trademarks, service marks, trade names, slogans, logos, trade dress, Internet domain names, URLs and similar designations of source or origin, in each case together with all goodwill, registrations and applications for registration related to any of the foregoing; (c) all copyrights and copyrightable subject matter (including any registration and applications for any of the foregoing); and (d) all trade secrets, know-how, proprietary processes, formula, algorithms, models and methodologies, and other intellectual property or proprietary rights of any kind, whether arising under the Laws of the United States or any other nation, state or jurisdiction; (e) Software; (f) mask works and registrations and applications for registration thereof, (g) social media user names, identifiers, passwords, and profiles, and rights in telephone numbers, all goodwill associated therewith, and all registrations and applications therefor; (h) rights of publicity and privacy; (i) shop rights; (j) all advertising and promotional materials; and (k) websites (including the layout, design and contents of the web pages and underlying codes).

"IRS" means the Internal Revenue Service of the United States.

"ITA" shall mean the Israeli Tax Authority.

"Joining Equityholder" means each Equityholder who executes and delivers a Voting Agreement.

"Key Employee" means each of the employees set forth on Schedule 1.1.

"Knowledge" means the actual knowledge, as of the applicable date, of any director or officer of the Company or the Purchaser, as applicable, after reasonable inquiry. Such individual shall also be deemed to have actual knowledge of a particular fact, circumstance, event or other matter in question if such knowledge would reasonably be expected to have been obtained by such individual in the ordinary course of the performance of his duties as an officer or director of the Company or the Purchaser, as applicable.

"Law" means any law, statute, ordinance, regulation, rule, code, treaty or other requirement having the force of law of any Governmental Entity.

"Liability" or "liability" means any financial liability, debt, obligation, deficiency, interest, Tax, penalty, fine, demand, judgment, claim, or other loss, cost or expense of any kind or nature whatsoever, whether asserted or unasserted, absolute or contingent, known or unknown, accrued or unaccrued, liquidated or unliquidated, and whether due or become due and regardless of when asserted.

"Liens" means (i) any and all liens, claims, mortgages, security interests, rights, restrictions, limitations, easements, charges (whether floating or fixed), assessments, levies, pledges and other encumbrances of every kind and nature whatsoever or other similar arrangements, (ii) with respect to securities, any interest or equity of any Person (including any right to acquire, voting trust or agreement, option or right of pre-emption or conversion, or any transfer restriction) or (iii) any agreement to create any of the above, in each case, whether arising by agreement, operation of Law or otherwise.

"Material Adverse Effect" means any event, effect, change, condition or development that, individually or in the aggregate with other such events, effects, changes, conditions or developments, has, or would reasonably be expected to have a material adverse effect (a) on the business, operations or financial condition of the Company or the Purchaser, as applicable or (b) upon the ability of the Company, the Equityholders or the Equityholder Representative to perform any of their obligations under this Agreement or to consummate the transactions contemplated hereby; provided that, none of the following will constitute or be taken into account in determining whether there has been a Material Adverse Effect for purposes of clause (a) thereof: any event, circumstance, change, occurrence, fact, development or effect resulting from or relating to (i) the taking of, or the failure to take, any action contemplated by this Agreement or any of the other Transaction Documents that is specifically required to be taken or not taken hereunder or thereunder; (ii) changes after the date hereof in the general economic conditions or political or social climate, including the engagement by the United States in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any military or terrorist attack upon the United States or any of its territories, possessions or diplomatic or consular offices or upon any military installation, equipment or personnel of the United States; (iii) changes after the date hereof in the United States or global financial, securities, banking or commodity markets (including any disruption thereof and any decline in the price of any security or any market index); (iv) the failure (in and of itself) by the Company to meet any internal or other projections, budgets, plans or forecasts of its revenues, earnings or other financial performance or results of operations (provided that, the underlying causes of such failure may be deemed to contribute to a Material Adverse Effect), (v) changes, after the date hereof, generally applicable to the industries in which the Company operates; (vi) changes in US GAAP after the date hereof; and (vii) natural disasters, pandemics, labor unrest, strikes, acts of wars, terrorism, sabotage and other "acts of God"; *provided*, *that*, in the case of any event, effect, change, condition or development set forth in the foregoing clauses (ii) through (iii) and (v) through (vii), inclusive, such events, effects, changes, conditions or developments do not, individually or in the aggregate, disproportionately affect the business, operations or financial condition of the Company relative to other companies operating in the industry in which the Company operates. It is hereby agreed that, with respect to the Purchaser only, the definition of Material Adverse Effect shall also include shortfall of more than 20% in the non-cash assets presented in the audited balance sheets and related statements of operations, stockholders' equity and cash flows (together with any notes thereto) of the Company as of and for the year ended December 31, 2020 compared to the information presented to the Purchaser in the Unaudited Financial Statements.

"Milestone" means the objective, milestone or acceptance criteria (in each case, whether technological criteria, commercial criteria, financial criteria or otherwise) set out in the Milestone Schedule.

"Milestone Achievement Date" means, with respect to each Milestone, the date on which such Milestone has been successfully achieved.

"Milestone Schedule" means the schedule enclosed hereto as Exhibit H, which delineates the description and terms of each Milestone, the Milestone Target Date, and the percentage out of the total Earn-out Consideration to be paid on account of the successful achievement of such Milestone.

"Milestone Target Date" means, with respect to each Milestone, the respective date on which such milestone needs to be achieved in order for such achievement to qualify as a successful achievement.

"Open Source Code" means software code subject to an Open Source License

"Open Source License" means an "open source," "copyleft" or other similar type of license.

"Order" means any order, writ, injunction or decree of any Governmental Entity, arbitrator or mediator and any settlement agreement or compliance agreement entered into in connection with any Proceeding.

"Ordinance" shall mean the Israeli Income Tax Ordinance [New Version], 1961, as amended, and the rules and regulations promulgated thereunder.

"Ordinary Shares of the Company" means Ordinary Shares of the Company, par value ILS 0.01 each.

"Ordinary Shares of Purchaser" means Ordinary Shares of Purchaser, par value ILS 0.01 each .

"Organizational Documents" means, with respect to a Person, the following documents that are presently in effect, including any amendments, modifications, or supplements thereto: (a) the articles or certificate of incorporation, formation, organization, or association; (b) general or limited partnership agreement; (c) limited liability company or operating agreement; (d) bylaws; and (e) any equityholders' agreements, investor rights agreements, voting agreements, voting trusts, joint venture agreements, registration rights agreements, or similar agreements relating to the ownership of equity interests of such Person and to which such Person is a party.

"Payout Spreadsheet" means a spreadsheet delivered by the Company to Purchaser at least three Business Days prior to Closing, in a form consistent with the sample spreadsheet attached as Exhibit C and otherwise reasonably acceptable to Purchaser, which shall be updated as of the Closing Date and shall set forth, as of the Closing Date: (i) the capitalization of the Company including: (A) a complete and accurate list of the record holders of issued and outstanding Company Shares, number and kind of Company Shares held (including the number of Ordinary Shares into which such shares are convertible) and the respective certificate numbers thereof, and such holders' last known respective addresses and email addresses; (B) a complete and accurate list of all outstanding Company Outstanding Instruments, including the name of the Person with whom such Company Outstanding Instruments were made, the number and type of Company Shares issuable (in case of the Company Convertible Instruments) upon the conversion of such Company Outstanding Instruments; and (C) a complete and accurate list of all outstanding Company Warrants, including the name of the Person to whom such Company Warrants have been issued, the number and type of Company Shares issuable upon the exercise of such Company Warrants, and the per share exercise price for each Company Warrant; and (ii) the following information, calculated in accordance with applicable Law, the Organizational Documents of the Company and all other Contractual requirements on the part of the Company: (1) the amount which each Equityholder is entitled to receive (subject to Section 2.7 and Section 2.8) pursuant to Section 2.3, (2) the formula for calculating, at any time, the portion of any Post-Closing Payout Amounts that are payable in respect of each Company Share, Company Outstanding Instruments and Company Warrant, and (3) the formula for calculating, at any time, the Pro Rata Share and Indemnifying Pro Rata Share of each Equityholder.

"Permits" means all licenses, permits, registrations and government approvals.

"Permitted Liens" means: (a) statutory liens for Taxes not yet due but only to the extent an adequate reserve has been accrued as a current liability in accordance with US GAAP and taken into account in Closing Indebtedness as finally determined pursuant to Section 2.12; (b) statutory liens of landlords, carriers, warehousemen, mechanics and materialmen incurred in the ordinary course of business for sums not yet due; (c) liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, performance and return of money bonds and similar obligations; (d) minor irregularities of title that are of record and do not, individually or in the aggregate, materially detract from the value or use of the Company's assets; and (e) statutory liens mandated by IIA's applicable Laws with respect to the IIA Funded Intellectual Property.

"Person" means any natural individual, corporation, partnership, limited liability company, joint venture, association, bank, trust company, trust or other entity, whether or not legal entities, or any governmental entity, agency or political subdivision.

"Post-Closing Payment Amounts" means, with respect to each Company Share, Company Outstanding Instrument and Company Warrant, the amounts that may become payable in respect of such Company Share, Company Outstanding Instrument and Company Warrant from the Deferred Closing Consideration, Indemnity Escrow Account, and the Expense Fund in accordance with Section 2.4 or Section 12.5, respectively, and, without duplication of the foregoing, any amounts that may become payable in respect of each Company Share, Company Outstanding Instrument and Company Warrant after the Closing pursuant to Section 1.1.

"Pre-Closing Tax Period" means any Tax period ending on or prior to the Closing.

"Preferred A Shares" means Series A Preferred Shares of the Company, par value ILS 0.01.

"Preferred B Shares" means Series B Preferred Shares of the Company, par value ILS 0.01.

"Preferred C Shares" means Series C Preferred Shares of the Company, par value ILS 0.01.

"Proceeding" means any litigation (in law or in equity), arbitration, mediation, action, lawsuit, proceeding, compliant, charge, claim, demand, hearing, inquiry, audit, examination, investigation or like matter before or by any Governmental Entity, whether administrative, judicial or arbitration in nature.

"Processing" means, with respect to any data or information, collection, use, disclosure, transfer, transmission, storage, management, hosting, disposal, retention, aggregation, analysis, curation, de-identification, or other handling or processing.

"Pro Rata Share" means, with respect to a particular Equityholder, the percentage corresponding to the fraction: (a) the numerator of which is the aggregate amount of Merger Consideration actually paid or payable to such Equityholder at or prior to such time, and (b) the denominator of which equals the total amount of Merger Consideration actually paid or payable to all Equityholders at or prior to such time.

"Purchaser Share Consideration" means unregistered Ordinary Shares of Purchaser, par value ILS 0.01 per share.

"Purchaser Share Consideration Price" means (i) with respect to the Closing Consideration and the Deferred Closing Consideration paid at Closing, an amount per share of Purchaser Share Consideration equal to the weighted average closing price of registered Ordinary Shares of Purchaser (NASDAQ: NNOX) for the 90 trading days ending on the date hereof (as may be adjusted as appropriate to reflect any share splits, share dividends, combinations, reorganizations, reclassifications or similar events), (ii) with respect to each payment of the Earn-out Consideration, an amount per share of Purchaser Share Consideration equal to the average closing price of registered Ordinary Shares of Purchaser (NASDAQ: NNOX) for the 30 trading days ending on the applicable Milestone Achievement Date (as may be adjusted as appropriate to reflect any share splits, share dividends, combinations, reorganizations, reclassifications or similar events), and (iii) with respect to each payment of the Deferred Closing Consideration which is not paid at Closing, an amount per share of Purchaser Share Consideration equal to the average closing price of Ordinary Shares of Purchaser (NASDAQ: NNOX) for the 30 trading days ending on the applicable Deferred Closing Payment Date (as may be adjusted as appropriate to reflect any share splits, share dividends, combinations, reorganizations, reclassifications or similar events).

"Related Party" means, with respect to a Person, (a) any Affiliate of such Person, and any direct or indirect beneficial owner of 5% or more of the equity securities or voting securities or other voting interests in such Person; (b) any member, manager, general partner, director, officer, trustee, executor or receiver of such Person or Person described in clause (a) above or the estate of such Person or any Person described in clause (a) above; (c) that is an individual, such individual's spouse, domestic partner or immediate family member of such individual; and (d) any trust, family partnership, family limited partnership, family limited liability company, or other entity established for the benefit of such Person or any Person described in any of clauses (a) through (c) above.

"R&D Law" shall mean the Israeli Encouragement of Research, Development and Technological Innovation in Industry Law, 5744-1984, including regulations, directives and rules promulgated thereunder and decisions of any IIA research committee.

"Requisite Supporting Shareholders" means, (A) with respect to the Effective Date, Shareholders owning more than the minimum amount required under the Company Charter and the applicable law, to include, at the minimum, (i) 50% of the issued and outstanding Company Shares (as calculated on an as-converted to Company's Ordinary Shares basis), (ii) 66.66 % of the Company's issued and outstanding Preferred A Shares, Preferred B Shares and Preferred C Shares (in aggregate), and (iii) the 50% of the issued and outstanding share capital each class of Company Shares; and (B) with respect to the Closing, Shareholders owning more than the minimum amount required under the Company Charter and the applicable law, to include, at the minimum, 80% of the issued and outstanding of each class of Company Shares (as calculated on an as-converted to Company's Ordinary Shares basis).

"SEC" shall mean the United States Securities and Exchange Commission.

"Security Incident" means any actual or suspected loss, damage or unauthorized access to, or unauthorized acquisition, use, modification, denial or loss of use of, destruction, compromise, disclosure or other misuse of, any Company Data or any Company Information Systems.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Shareholder" means a holder of Company Shares.

"Shareholder Approval" means the approval of the holders owning a class and number of Company Shares sufficient to approve, authorize and adopt this Agreement, the Merger, the other Transaction Documents to which the Company is a party and the other transactions contemplated hereby and thereby, and to consummate the Merger and the other transactions contemplated hereby and thereby, as required under the ICL, the Company Organizational Documents, the Shareholders Agreements and any applicable agreements between the Company, on the one hand, and any one or more Shareholders, on the other hand.

"Software" means all computer programs (including any and all software implementation of algorithms, models and methodologies whether in source code or object code), databases and computations (including any and all data and collections of data), documentation (including user manuals and training materials) relating to any of the foregoing and the content and information contained in any web sites.

"Spousal Consent" means, with respect to a Shareholder who is a married individual, the consent of the spouse of such Shareholder to the sale of such Shareholder's Company Shares, in the form which will be reasonably agreed between the Parties.

"Straddle Period" means any Tax period that begins on or before and ends after the Closing Date.

"Subsidiary" means any corporation, limited liability company, partnership, association or other business entity of which (i) if a corporation, a majority of the total voting power of shares of Share entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by another Person, or (ii) if a limited liability company, partnership, association or other business entity, a majority of the partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by another Person.

"Tax Returns" means all returns, declarations, reports, estimates, claims for refund, information returns or statements, statements of foreign bank and financial accounts, and other documents required to be filed by the Company in respect of any Taxes, including any schedules or attachments thereto and including any amendment or supplement thereof, and the term "Tax Return" means any one of the foregoing Tax Returns.

"Taxes" means all taxes, charges, fees, levies, or other like assessments, including all federal, possession, province, state, city, county or foreign (or governmental unit, agency, or political subdivision of any of the foregoing) corporate, net income, franchise, profits, alternative or add-on minimum, gross income, gross receipts, real or personal property, ad valorem, net worth, sales, use, transfer, value added, severance, stamp, gains, license, excise, environmental, premium, employment (including Social Security, unemployment insurance, employer health and employee income tax withholding), withholding or minimum taxes, customs, duties, or any other tax, fee, levy or other like assessment or charge of any kind whatsoever, together with any interest or any penalty, addition to tax or additional amount imposed by any Governmental Entity, whether disputed or not, and including any obligations to pay Taxes of others, whether pursuant to Treasury Regulations Section 1.1502-6 (or any similar provision of state, local, or non-U.S. Law), as a transferee, successor, by Contract, or otherwise, and the term "Tax" means any one of the foregoing Taxes.

"Third Party Claim" means any action, lawsuit, proceeding, investigation, hearing, or like matter that is asserted or overtly threatened by a Person other than the parties, their successors and permitted assigns, against any Indemnified Party or to which any Indemnified Party is subject.

"Transaction Documents" means this Agreement and all the other agreements, certificates, instruments and other documents to be executed or delivered in connection with the transactions contemplated by this Agreement.

"Transaction Expenses" means (i) all Liabilities incurred by the Company in connection with the preparation, negotiation, execution and consummation of the Merger, this Agreement and the other Transaction Documents and the transactions contemplated hereby and thereby, including the premium of the Tail Insurance Coverage procured by the Company pursuant to Section 6.2, and (ii) all Liabilities and obligations of the Company to any Person arising from change of control payments, commission agreements, stay bonuses, transaction bonuses, retention agreements and similar arrangements or amounts payable as a result of the consummation of the Merger and the other transactions contemplated hereby, and including, if applicable, the Company's share of employment Taxes with respect to such Liabilities and obligations, but excluding any severance or other payments arising solely as a result of the termination of any employee of the Company by Purchaser, the Surviving Corporation or any of their Affiliates on or after the Closing Date and excluding any expenses paid from the Expense Fund.

"Unvested Company Options" means Company Options which are not exercisable as of the date of the Effective Time.

"Unrecognized Tax Items" means the amount of any income or deductions disclosed with respect to Section 3.10(b) that is required to be included or excluded, respectively, in taxable income for a Tax period or portion thereof beginning after the Closing Date.

"US GAAP" means the generally accepted accounting principles in the US.

"Vested Company Options" means Company Options which are outstanding and exercisable vested as of the date of the Effective Time.

"Warrant Cancellation Agreement" means an agreement duly executed by a holder of Company Warrants acknowledging and agreeing to the cancelation of (a) any agreement pursuant to which such holder of Company Warrants is granted a right to purchase any Company Shares, and (b) all Company Warrants held by such holder of Company Warrants, in form and substance reasonably acceptable to the Purchaser.

Schedule 1.1

Key Employees

Eyal Toledano*

Orit Wimpfheimer*

Ayelet Akselrod-Ballin*

Amit Oved

Demi Goldberg

Guy Cohen

Shmulik Ahituv

Ronen Gordon

Shai Reshef

Zohar Elhanani

* *are also defined as Essential Key Employees*.

Exhibit H

Milestone Schedule

Objective	Milestone	Acceptance Criteria	%
(1.a) FDA clearance of the existing Company's' Viewer	FDA clearance	Submission of company web-viewer for FDA within 6 months of closing, payment after FDA clearance is received	8%
(1.b) Security Certification SOC2	Renewal of SOC2	Approval of SOC2 renewal certification by year end 2022	1%
(1.c) Security Certification ISO	Acceptance of ISO 27001 and 27799	ISO auditor approval and ISO re-certification by year end 2022 (next audit is expected only May 2022)	1%
(2) Nanox ARC integration and FDA clearance to Zebra cloud	Nanox ARC integration and FDA clearance to Zebra cloud	Nanox ARC fully integrated with Zebra Company's Cloud solution, including Existing Nanox Image Reconstruction algo and Nanox ARC base storage, within 9 months of closing. FDA clearance for the integrated solution by year end 2023, Subject to NANOX existing reconstruction algorithm is provided at closing and its performance meets FDA predicate requirement	15%
(3)Current CPT code usage	Health plans use the CPT code in 2022	The Company achieves the usage level defined by a major US payer (health insurance company) during 2022	3%
(4) Current CPT code revenues		First billable transactions deliver at least 1M$ by year end 2023	7%
(5) New CPT code	Acceptance of a new code for Nanox procedures	Acceptance notice from AMA By year end 2023 Depending on Nanox providing: 1) FDA approval for Nanox Modality (ARC) procedure during 2022 2) 3 clinical peer reviewed accepted papers supporting Nanox Tomo CPT claims	5%

(6) FDA - pop health	New FDA clearance for a Zebra population health product	New Zebra product designated for population health is cleared by FDA by year end 2022	7.5%
(7) FDA - X-Ray	Extending zebra FDA clearance for X-ray product to include Nanox X-ray machine	FDA clearance by March 2023 Zebra shall provide data for development (tagged 1000/1000 positives negatives) by March 2022 Subject to Nanox application for FDA approval of the Nano-X's technology during 2022* Subject to Nanox providing for tuning 500/500 positive/negative until May 2022 and clinical validation 250/250 positive/negative until Aug 2022	7.5%
(8) Attainment of revenue goals	Achieve 90% of the revenue projections provided by Zebra management for 2022 ($9.311 million) and 70% for 2023 ($42.001 million).	Zebra audited annual report demonstrate that 90% of the revenue projections provided by Zebra management for 2022 ($9.311 million) and 70% for 2023 ($42.001 million).	30%
(9) Employees retention		First year Team retention for 80% of all of the Company's employees as of the Closing (but to include 80% of all Key Employees and all of the Essential Key Employees) and 2nd and 3rd year Team retention of 70% of all of the Company's employees as of the Closing (but to include 70% of all Key Employees and all of the Essential Key Employees) (the "**Retention Criteria**"). Targets are accumulative and the measurement and payment will be done three years as of the Closing. It is hereby agreed that (i) if an employee's employment by the Company is (a) terminated by the Company or Purchaser other than for Cause, or (b) terminated by the employee for Good Reason within 30 days of the day on which the circumstances which give rise to the Good Reason had occurred, or (ii) if within 60 days after an employee (not including, for the removal of a doubt, Essential Key Employees) left the Company for any reason (other than the termination of his/her employment for Cause), the Company hires an equally competent employee (reasonably acceptable to the Purchaser) instead of such employee; then the employees noted in (i) and (ii) above shall be deemed as 'employed by the Company' for the purpose of determining whether the terms of the Retention Condition were satisfied.	15%

If the Purchaser has decided to abandon certain technology or product underlying a specific Milestone, causing that such Milestone cannot be achieved (the "Abandoned Milestone"), the Purchaser shall promptly notify the Equityholders Representative of such decision and the Purchaser and the Equityholders Representative will agree on a new milestone which is is useful for Purchaser and equivalent to the Abandoned Milestone, and if no written agreement has been reached with respect to a new milestone within 90 days following such notice by Purchaser, the Earn-out Payment Amount of the Abandoned Milestone shall be added, on a pro-rata basis, to all of the other Milestones (including those Milestone that their respective "Milestone Target Date" has lapsed.

- Notwithstanding the above, if the Milestone cannot be achieved because Purchaser does not receive the approval or does not submit the application in 2022 the parties will agree on equivalent milestones for Company's components that are useful for Purchaser.

Exhibit 4.3

AMENDMENT NO. 1 TO THE AGREEMENT AND PLAN OF MERGER

This Amendment No. 1 to the Agreement and Plan of Merger (the "Amendment") is entered into on October __, 2021 by and among Nano-X Imaging Ltd, New Zealand Merger Sub Ltd., Nano-X Ai Ltd. (formerly Zebra Medical Vision Ltd.), and PerryLLion Ltd., solely in its capacity as the representative of all Equityholders.

WHEREAS,the parties hereto (the "Parties") have entered into that certain Agreement and Plan of Merger, dated August 9, 2021, (the "Agreement"); and

WHEREAS,the Parties wish to amend and modify certain provision of the Agreement, as specified in this Amendment.

THEREFORE, the Parties agree to modify the Agreement as follows:

Capitalised terms used but not defined herein shall bear the meaning attributed to such capitalised terms in the Agreement.

1. The second paragraph of Section 2.3(a) of the Agreement shall be amended to read as follows:

   "Treatment of Vested Company Options. As of the Effective Time, any Vested Company Option (including any Unvested Company Option which becomes vested on account of the transactions contemplated herein) shall be converted, immediately prior to the Effective Time, into such number of Company Shares which underlies the Vested Company Options, provided, however, that, as will be provided in the Payout Spreadsheet, such amount of Purchaser Share Consideration for which the stated exercise price of each Vested Company Option would have been converted into according to the terms of the Agreement (should it, and it only, have been converted into Company Shares) will be deducted from the Closing Consideration attributed to each such Company Share which underlies such Vested Company Options, all, as further provide in the Payout Spreadsheet.".

2. The definition of "Designated Commercial Agreements" under Section 2.10(b) shall be amended to read as follows:

   "commercial agreements between the Company and (i) any integrated US Healthcare System (IDN) with over $2 billion of annual net patient revenue or leading commercial payer involving Zebra's population health solutions for purpose of risk adjustment and/or cost savings or avoidance, (ii) DePuy Ireland Unlimited Company, which provides an amendment to the existing Development and License Agreement dated December 9, 2019 to include a refinement of the product specification, feasibility and the development milestones, and (iii) The Secretary of State for Health and Social Care, which provides for evaluation project funded by the UK National Health Service, for utilization of AI-enabled vertebral fracture pathway to prevent osteoporotic fractures".

3. In Section 6.2(c), the words *"during the Pre-Closing Period"* shall be replaced by the words *"within 60 days after Closing"*.

4. The second paragraph of Section 8.2(i) of the Agreement shall be amended to read as follows:

   "The Purchaser has received the audited consolidated balance sheets and related statements of operations, stockholders' equity and cash flows (together with all notes thereto) of the Company as of and for the years ended December 31, 2020, prepared in accordance with US GAAP".

5. To replace Exhibit H, the Milestone Schedule, with the updated Milestone Schedule that is attached as **Annex A hereto**.

6. It is hereby agreed that, as request by the Altshuler Shaham Trusts Ltd. (the Escrow Agent and the Paying Agent under the Agreement), (i) the Escrow and Paying Agent Agreement will be comprised of two separate agreements, one agreement with Altshuler Shaham Trusts Ltd. in its capacity as the Escrow Agent (the "Escrow Agreement"), and a second agreement with Altshuler Shaham Trusts Ltd. in its capacity as the Paying Agent (the "Paying Agent Agreement"), (ii) the Parties shall enter into an additional (third) agreement with Altshuler Shaham Trusts Ltd., in its capacity as a trustee for the purpose of the 104H Interim Tax Ruling and the 104H Tax Ruling (the "104 Trustee Agreement").

It is further agreed that all fees to be paid at Closing to Paying Agent, Escrow Agent or otherwise to Altshuler Shaham Trusts Ltd. under the Escrow Agreement, Paying Agent Agreement and the 104 Trustee Agreement, will be borne and paid equally by the Company and Purchaser, and, with respect to the Company, its portion of such payments will be considered as Transaction Expenses.

This Amendment shall be deemed for all intents and purposes as an integral part of the Agreement and shall be governed by the terms and conditions of the Agreement.

IN WITNESS WHEREOF, the Parties have caused this Amendment to be executed

PURCHASER:

NANO-X IMAGING LTD

By: /s/ Ran Daniel
Name: Ran Daniel
Its: Chief Financial Officer

MERGER SUB:

NEW ZEALAND MERGER SUB LTD.

By: /s/ Ran Daniel
Name: Ran Daniel
Its: Chief Financial Officer

THE COMPANY:

ZEBRA MEDICAL VISION LTD.

By: /s/ Zohar Elhanani
Name: Zohar Elhanani
Its: Chief Executive Officer

EQUITYHOLDER REPRESENTATIVE:

PERRRYLLION LTD.

By: /s/ Amit Perry
Name: Amit Perry
Its: Chief Executive Officer

Annex A

Updated Milestone Schedule

Objective	Milestone	Acceptance Criteria	%
(1.a) FDA clearance of the existing Company's' Viewer	FDA clearance	*Submission of Company web-viewer with the FDA within 6 months of closing, payment after FDA clearance is received, provided however, that if the product will be classified as Class 1 (and therefore, no submission nor clearance shall be required), the registration of the product will qualify for meeting acceptance criteria*	8%
(1.b) Security Certification SOC2	Renewal of SOC2	Approval of SOC2 renewal certification by year end 2022	1%
(1.c) Security Certification ISO	Acceptance of ISO 27001 and 27799	ISO auditor approval and ISO re-certification by year end 2022 (next audit is expected only May 2022)	1%
(2) Nanox ARC integration and FDA clearance to Zebra cloud	Nanox ARC integration and FDA clearance to Zebra cloud	Nanox ARC fully integrated with Zebra Company's Cloud solution, including Existing Nanox Image Reconstruction algo and Nanox ARC base storage, within 9 months of closing. FDA clearance for the integrated solution by year end 2023, Subject to NANOX existing reconstruction algorithm is provided at closing and its performance meets FDA predicate requirement	15%
(3) Current CPT code usage	Health plans use the CPT code in 2022	The Company achieves the usage level defined by a major US payer (health insurance company) during 2022	3%
(4) Current CPT code revenues		First billable transactions deliver at least 1M$ by year end 2023	7%
(5) New CPT code	Acceptance of a new code for Nanox procedures. Separately, an acceptance of a new code for a Zebra's population health product	Acceptance notice from the AMA by year end 2023 for each of the CPT codes. The Nanox procedure code depends on Nanox providing: 1) FDA approval for Nanox Modality (ARC) procedure during 2022 2) 3 clinical peer reviewed accepted papers supporting Nanox Tomo CPT claims	5% for the Nanox procedure code (2.5% for each CPT Code if a new Zebra CPT Code is attained)

(6) FDA - pop health	New FDA clearance for a Zebra population health product	New Zebra product designated for population health is cleared by FDA by year end 2022	7.5%
(7) FDA - X-Ray	Extending zebra FDA clearance for X-ray product to include Nanox X-ray machine	FDA clearance by March 2023 Zebra shall provide data for development (tagged 1000/1000 positives negatives) by March 2022 Subject to Nanox application for FDA approval of the Nano-X's technology during 2022* Subject to Nanox providing for tuning 500/500 positive/negative until May 2022 and clinical validation 250/250 positive/negative until Aug 2022	7.5%
(8) Attainment of revenue goals	Achieve 90% of the revenue projections provided by Zebra management for 2022 ($9.311 million) and 70% for 2023 ($42.001 million).	Zebra audited annual report demonstrate that 90% of the revenue projections provided by Zebra management for 2022 ($9.311 million) and 70% for 2023 ($42.001 million).	30%
(9) Employees retention		First year Team retention for 80% of all of the Company's employees as of the Closing (but to include 80% of all Key Employees and all of the Essential Key Employees) and 2nd and 3rd year Team retention of 70% of all of the Company's employees as of the Closing (but to include 70% of all Key Employees and all of the Essential Key Employees) (the "**Retention Criteria**"). Targets are accumulative and the measurement and payment will be done three years as of the Closing. It is hereby agreed that (i) if an employee's employment by the Company is (a) terminated by the Company or Purchaser other than for Cause, or (b) terminated by the employee for Good Reason within 30 days of the day on which the circumstances which give rise to the Good Reason had occurred, or (ii) if within 60 days after an employee (not including, for the removal of a doubt, Essential Key Employees) left the Company for any reason (other than the termination of his/her employment for Cause), the Company hires an equally competent employee (reasonably acceptable to the Purchaser) instead of such employee; then the employees noted in (i) and (ii) above shall be deemed as 'employed by the Company' for the purpose of determining whether the terms of the Retention Condition were satisfied.	15%

Exhibit 4.4

Execution Version

STOCK PURCHASE AGREEMENT

by and among

USARAD HOLDINGS, INC.,

DR. MICHAEL YUZ,

THE OTHER SELLERS LISTED ON THE SIGNATURE PAGE,

SELLER REPRESENTATIVE,

and

NANO-X IMAGING, INC.

and

NANO-X IMAGING LTD.

Dated as of October 25, 2021

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

TABLE OF CONTENTS
(continued)

TABLE OF CONTENTS
(continued)

SCHEDULES

EXHIBITS

STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement (this "Agreement") is made as of October 25, 2021, by and among (i) Dr. Michael Yuz ("Yuz"), (ii) the other stockholders of capital stock of the Company listed on the signature page (the "Other Stockholders" and together with Yuz, the "Stockholders"), (iii) the holders of vested options to purchase Company Stock (as defined below) who are Accredited Investors (as defined below) listed on the signature page (each, an "Accredited Optionholder" and together the "Accredited Optionholders"), (iv) the Warrantholders (as defined below), which hold warrants to purchase Company Stock (as defined below) (each of Yuz and each of the Other Stockholders, Accredited Optionholders and Warrantholders are referred to individually as a "Seller", and together as the "Sellers"), (v) Dr. Michael Yuz as the representative of Sellers under this Agreement ("Seller Representative"), (vi) USARAD Holdings, Inc., a Delaware corporation (the "Company"), (vii) NANO-X IMAGING, INC., a Delaware corporation (the "Buyer"), and (viii) Nano-X Imaging Ltd., a company organized under the laws of the State of Israel (the "Parent").

WHEREAS, the Stockholders are the record and beneficial owners of all of the shares of stock in the Company (the "Shares").

WHEREAS, the Stockholders desire to sell and transfer all of the Shares to the Buyer, and the Buyer desires to acquire all of the Shares, all on the terms and subject to the conditions set forth in this Agreement.

WHEREAS, the Accredited Optionholders desire to cancel all Accredited Options (as defined below) and the Warrantholders desire to cancel all Warrants (as defined below), in each case, in exchange for a portion of the Purchase Price on the terms set forth in this Agreement.

WHEREAS, the Buyer is a wholly owned subsidiary of the Parent.

WHEREAS, the condition and inducement to the Buyer's willingness to enter into this Agreement, the individuals listed on Schedule 6.12 are, concurrently with the execution of this Agreement, executing and delivering Non-Competition Agreements in the form of Exhibit B (the "Non-Competition Agreements"), that will each become effective as of the Closing.

WHEREAS, the Company and Parent entered into that certain binding letter of intent dated August 9, 2021 (the "LOI") and, in connection with entering into the LOI, the Parent deposited $750,000 with the Company (the "Deposit").

NOW, THEREFORE, in consideration of these premises, the covenants set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. DEFINITIONS.

1.1. Certain Matters of Construction. For purposes of this Agreement, except as specified otherwise or the context otherwise requires, the words "hereof", "herein", "hereunder" and words of similar import will refer to this Agreement as a whole and not to any particular Section or provision of this Agreement, and reference to a particular Section of this Agreement will include all subsections thereof. The word "party" will refer to the Stockholders, the Accredited Optionholders, the Warrantholders, the Company, the Buyer or the Parent. The word "including" means including without limitation. Definitions will be equally applicable to both the singular and plural forms of the terms defined, and references to the masculine, feminine or neuter gender will include each other gender. All references in this Agreement to any Section, Exhibit or Schedule will, unless otherwise specified, be deemed to be a reference to a Section, Exhibit or Schedule of or to this Agreement, in each case as such may be amended in accordance herewith, all of which are made a part of this Agreement. All references in this Agreement to monetary amounts will, unless otherwise specified, be to United States dollars. Any Legal Requirement defined or referred to herein or in any agreement or instrument that is referred to herein shall include any modification, amendment or re-enactment thereof, and any Legal Requirement substituted therefor, in each case as of the time of inquiry, representation or covenant. Any reference to a Governmental Authority or statutory or regulatory provisions shall be deemed also to refer to any successor thereto unless the context requires otherwise. A reference to any agreement (including this Agreement) or Contract, is, unless otherwise specified, to the agreement or Contract as amended, modified, supplemented or replaced at the time of inquiry, representation or covenant. Although the same or similar subject matters may be addressed in different provisions of this Agreement, the parties intend that, except as reasonably apparent on the face of the Agreement or as expressly provided in this Agreement, each such provision will be read separately, be given independent significance and not be construed as limiting any other provision of this Agreement (whether or not more general or more specific in scope, substance or content). References to a Person are also to its successors and permitted assigns.

1.2. Certain Definitions. For purposes of this Agreement, the following terms will have the following meanings:

"401(k) Plan" is defined in Section 8.10.1.

"Acquisition Transaction" means, other than the transactions contemplated by this Agreement, any Person's (other than Buyer's or Parent's) offer, proposal or inquiry relating to, or any indication of interest in: (a) any merger, consolidation or other form of business combination with or involving the Company, (b) the sale, license, disposition or acquisition of all or any material portion of the business or assets of the Company, including the grant of any license to any Intellectual Property of the Company, other than non-exclusive licenses granted to customers of the Company in the ordinary course of business, (c) the issuance, grant, disposition or acquisition of any Shares or other equity participations of the Company (other than the issuance of equity to employees of the Company), or (d) any other transaction that would be inconsistent with or that would reasonably be likely to have an adverse effect upon any of the Contemplated Transactions.

"Accredited Investor" means an accredited investor as defined in Rule 501 of Regulation D promulgated under the Securities Act.

"Accredited Optionholder" is defined in the Preamble.

"Accredited Option" means each vested Company Stock Option held by an Accredited Optionholder.

"Accredited Option Payment" means the portion of the Cash Consideration allocable to the Accredited Optionholders in consideration of the Accredited Options, net of the aggregate exercise price of all Accredited Options, and less the portions of the Deposit, Escrow Cash Amount, and Seller Representative Fund Amount attributable to the Accredited Optionholders in consideration of the Accredited Options, which amount will be distributed among the Accredited Optionholders, all in accordance with and as set forth on the Allocation Schedule.

"Action" means any criminal, judicial, administrative or arbitral action, audit, charge, claim, complaint, demand, grievance, hearing, known inquiry or investigation, litigation, mediation, proceeding, citation, summons, subpoena or suit, whether civil, criminal, administrative, judicial or investigative, whether public or private, commenced, brought, conducted or heard by or before, or otherwise involving any Governmental Authority.

"Affiliate" means, as to any Person, any other Person controlling, controlled by or under common control with such Person. For the purposes of this definition, "controlling", "controlled" and "control" mean the possession, directly or indirectly, of the power to direct the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Agreement" is defined in the Preamble.

"Anti-bribery Laws" is defined in Section 3.9.2.

"Audited Financial Statements" is defined in Section 3.5.

"Balance Sheet Time" means 11:59 p.m. New York time on the day immediately preceding the Closing Date.

"Basis" means any fact, condition or occurrence that forms the basis for any reasonably foreseeable specific consequence.

"Business" means the businesses conducted by the Company and its direct and indirect Subsidiaries as of the date hereof.

"Business Day" means any day that is not a Saturday, a Sunday or other day on which banks are required or authorized by Legal Requirement to be closed in New York, New York.

"Buyer" is defined in the Preamble.

"Buyer Failure to Close" is defined in Section 10.1.6.]

"Buyer Fundamental Representations" means the representations and warranties set forth in Sections 5.1, (Organization), 5.2 (Authorization), 5.4 (Valid Issuance of Stock Consideration), 5.6 (Brokers), and 5.7 (Capital Structure).

"Buyer Indemnified Parties" is defined in Section 9.2.1.

"Cash Consideration" is defined in Section 2.2(a).

"Cash on Hand" means all cash and cash equivalents (including short-term liquid investments with maturities of ninety (90) days or less) of the Company (including any portion of the Deposit remaining as of the Closing), which will be calculated on a consolidated basis.

"CFR" means the U.S. Code of Federal Regulations.

"Claim Dispute Notice" is defined in Section 9.4.4.

"Claim Notice" is defined in Section 9.4.1.

"Closing" is defined in Section 2.3.

"Closing Stock Consideration" is defined in Section 2.2(b).

"Closing Date" is defined in Section 2.3.

"Closing Statement" is defined in Section 2.5.2.

"Closing Stock Value" means the lower of (i) the volume weighted average price (as quoted by The Nasdaq Global Market) of Parent Stock for the 30-Trading Day period ending two Business Days prior to the Closing, and (ii) the volume weighted average price (as quoted by The Nasdaq Global Market) of Parent Stock for the 30-Trading Day period ending on August 6, 2021.

"Code" means the U.S. Internal Revenue Code of 1986, as amended, and the applicable Treasury Regulations issued thereunder.

"Company" is defined in the Preamble.

"Company Authorizations" is defined in Section 3.7.

"Company Indebtedness" means the amount outstanding as of the Closing in respect of the Indebtedness of the Company excluding the PPP Loan.

"Company Intellectual Property" shall mean the Intellectual Property owned by or licensed to the Company.

"Company's Knowledge" means the actual knowledge of Yuz, Jonathan Krutchik, Brian Phelan, and Elli Yuz, in each case, after reasonable internal inquiry of his or her respective direct reports.

"Company Stock" means shares of the stock of the Company.

"Company Stock Options" means the outstanding options to purchase Company Stock.

"Company Registered IP" is defined in Section 3.11.1.

"Confidentiality Agreement" is defined in Section 8.1.5.

"Contemplated Transactions" means the transactions contemplated by this Agreement and the Escrow Agreement that are anticipated to be consummated at the Closing.

"Continuing Business" means the business of the Company and its Subsidiaries existing immediately prior to the Closing, as such business is operated by the Continuing Business Company following the Closing Date.

"Continuing Business Company" means the Company, any successor to the Company, or any Person into which the Company may be merged carrying out the Continuing Business following the Closing.

"Contract" means any legally binding contract, agreement, lease, license, sublicense, option, understanding, covenant-not-to-sue, promise, undertaking or other binding arrangement, purchase order, instrument, note or other document or instrument, whether oral or written (other than an Employee Plan).

"Customer Deliverables" shall mean (a) the products that the Company or any of its Subsidiaries currently produces, markets, sells or licenses and (b) the services that the Company or any of its Subsidiaries currently provides.

"Deposit" is defined in the Recitals.

"Disclosure Schedules" means the various disclosure schedules to this Agreement that are being delivered by or on behalf of the Company and the Sellers on the date hereof in connection with the representations and warranties in Section 3 and Section 4.

"Dispute Notice" is defined in Section 2.5.3.

"Dispute Submission Notice" is defined in Section 2.5.4.

"Disputed Item" is defined in Section 2.5.3.

"D&O Indemnifiable Claim" is defined in Section 8.7.2.

"D&O Indemnified Person" is defined in Section 8.7.1.

"D&O Indemnifying Party" is defined in Section 8.7.2.

"D&O Tail Policy" is defined in Section 8.7.3.

"Earn Out" is defined in Section 2.6.2(a).

"Earn Out Amount" is defined in Section 2.6.2(a).

"Earn Out Dispute Notice" is defined in Section 2.6.4(a).

"Earn Out Dispute Submission Notice" is defined in Section 2.6.4(a).

"Earn Out Payment Date" is defined in Section 2.6.2(a).

"Earn Out Period" means the First Earn Out Period, the Second Earn Out Period, the Third Earn Out Period and the Post-FDA Clearance Earn Out Period.

"Earn Out Schedule" means Schedule 2.6.1 attached hereto and incorporated herein (the "Earn Out Schedule").

"Earn Out Statement" is defined in Section 2.6.1.

"Earn Out Stock Value" means the average of (i) the volume weighted average price (as quoted by The Nasdaq Global Market) of Parent Stock for the 30-Trading Day period ending two Business Days prior to the final day of the relevant Earn Out Period, and (ii) the volume weighted average price (as quoted by The Nasdaq Global Market) of Parent Stock for the 30-Trading Day period ending on August 6, 2021.

"EBITDA" is defined in Section 2.6.3.

"Economic Milestone" means Milestones in Components A.1. or A.2. of the Earnout Schedule.

"Employee Plan" means each (a) "employee benefit plan" as defined in Section 3(3) of ERISA, (b) each other employment, consulting, indemnification, severance pay, salary continuation, pay in lieu of notice, bonus, incentive, retention, change in control compensation, incentive stock, stock option, stock purchase or other equity or equity-based compensation, fringe benefit, employee loan, relocation, health insurance, life insurance, disability insurance, retirement, provident fund, pension, profit sharing or deferred compensation plans, contracts, programs, funds or arrangements of any kind, and (c) each other employee benefit plan, contract, program, fund or arrangement (whether written or oral, funded or unfunded) and any trust, escrow or similar agreement related thereto, that is maintained, sponsored or contributed to by the Company or any of its Subsidiaries or with respect to which the Company or any of its Subsidiaries has or may have any Liability, contingent or otherwise.

"Employment Practices" is defined in Section 3.18.1.

"Environmental Laws" means all applicable national, federal, state, provincial and local Legal Requirements relating to pollution or protection of the environment.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the regulations issued thereunder.

"ERISA Affiliate" means any Person (whether or not incorporated) who, together with any other Person, is or has within the last four years been considered, a single employer pursuant to Section 414 of the Code or Section 4001(b) of ERISA.

"Estimated Cash on Hand Amount" is defined in Section 2.5.1.

"Escrow Account" is defined in Section 2.5.1.

"Escrow Agent" is defined as Continental Stock Transfer & Trust Company, a New York corporation.

"Escrow Agreement" means an escrow agreement in substantially the form of Exhibit A, to be entered into on or prior to the Closing Date by the Buyer, the Seller Representative, the Parent, and the Escrow Agent.

"Escrow Amount" means $2,325,000, consisting of the Escrow Cash Amount and the Escrow Stock Amount.

"Escrow Cash Amount" means $600,000 in cash.

"Escrow Funds" means, as of any date of determination, the excess (if any) of the Escrow Amount (including accrued interest or earnings thereon) over the sum of all distributions and other payments to any Person from the Escrow Account paid pursuant to the terms of the Escrow Agreement on or prior to such date of determination. For purposes of determining the value of the Escrow Funds, any shares of Parent Stock will be valued on the basis of the Closing Stock Value.

"Escrow Stock Amount" means the number of shares of Parent Stock with a value of approximately $1,725,000 (as adjusted as necessary to avoid fractional shares), determined on the basis of the Closing Stock Value.

"Escrow Termination Date" is defined in Section 9.1.

"Estimated Cash on Hand Amount" is defined in Section 2.5.1.

"Estimated Closing Statement" is defined in Section 2.5.1.

"Estimated Company Indebtedness" is defined in Section 2.5.1.

"Estimated Transaction Bonus Payments" is defined in Section 2.5.1.

"Estimated Transaction Expenses" is defined in Section 2.5.1.

"Estimated Working Capital Amount" is defined in Section 2.5.1.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Expiration Date" is defined in Section 10.1.4.

"FDA" is defined in Section 2.5.5.

"FDA Application Integrity Policy" is defined in Section 2.5.5.

"FDA Clearance" means approval or clearance from the FDA to market and sell the Nanox Arc or, with respect to any 510(k) application, receipt of a letter from the FDA of substantial equivalence, for the relevant indications.

"Final Cash on Hand Amount" is defined in Section 2.5.5.

"Final Company Indebtedness" is defined in Section 2.5.5.

"Final Transaction Bonus Payments" is defined in Section 2.5.5.

"Final Transaction Expenses" is defined in Section 2.5.5.

"Final Working Capital Amount" is defined in Section 2.5.5.

"Financial Controls" is defined in Section 3.5.3.

"Financial Statements" is defined in Section 3.5.1.

"First Earn Out Period" means the twelve (12) consecutive calendar months immediately following the Closing Date.

"Fraud" means actual and intentional fraud with the intent to deceive (and not constructive fraud, equitable fraud or negligent misrepresentation) with respect to any representation or warranty set forth in this Agreement or the Disclosure Schedules.

"GAAP" means United States generally accepted accounting principles, as in effect from time to time.

"Governmental Authority" means any national, supranational, foreign, provincial, federal, state, municipal or local government, including any political subdivision thereof, or governmental, regulatory or administrative authority, agency, body, branch, bureau, instrumentality or commission, and any department, court, tribunal or judicial body, or agency of any of the foregoing.

"Government Contract" means any Contract, prime contract, subcontract, teaming agreement or arrangement, joint venture, basic ordering agreement, blanket purchase agreement, letter agreement, grant, cooperative agreement, purchase order, delivery order, task order, change order or other commitment or funding vehicle between the Company or any of its Subsidiaries and (a) any Governmental Authority, (b) any prime contractor to a Governmental Authority or (c) any subcontractor (of any tier) in connection with or with respect to any Contract described in clause (a) or (b), and any modification of any of the foregoing.

"Governmental Order" means any ruling, award, decision, injunction, judgment, determination, assessment, agreement, order, decree, writ or other requirement entered, issued or made by any Governmental Authority.

"Hazardous Substance" means "hazardous substance" (as defined in 42 U.S.C. § 9601(14)).

"ICL" means the Companies Law 5759-1999 of the State of Israel.

"Income Tax" means any Tax measured in whole or in part by income or gains (or similar Tax imposed in lieu thereof).

"Indebtedness" means with respect to any Person, and without duplication, all outstanding obligations of such Person on a consolidated basis (a) in respect of indebtedness for borrowed money (including all accrued interest thereon, and any prepayment, breakage or similar charges payable in connection with the discharge of such indebtedness), including the PPP Loan, (b) evidenced by notes, debentures or similar instruments, (c) in respect of any earn out or other deferred purchase price for the acquisition by such Person of any business, property or other Person, but excluding any ordinary trade accounts payable or accruals incurred in the ordinary course of business which are captured in the accounts payable and/or accrued expenses of the Company, (d) in respect of letters of credit, solely to the extent drawn upon by third parties, (e) as lessee under leases that would be required to be recorded as capital leases in accordance with GAAP and (f) with respect to guarantees of obligations of the types described in clauses (a) through (e) above of any other Person.

"Indemnified Taxes" means any Taxes of the Company or any of its Subsidiaries for a Pre-Closing Tax Period, including the portion of a Straddle Period attributable to the Pre-Closing Tax Period as provided in Section 8.8.4; provided, however, that in no event shall any Tax arising from any elections by or with respect to the Company or any Company Subsidiary under Code Sections 338 or 336(e) with respect to any transactions contemplated by this Agreement be considered or treated as attributable to the Pre-Closing Tax Period for any purposes of this Agreement.

"Indemnified Party" means with respect to any claim for indemnification pursuant to Section 9, each Buyer Indemnified Party or Seller Indemnified Party asserting such claim (or on whose behalf such claim is asserted) under Section 9.2 or 9.3, as the case may be.

"Indemnifying Party" means, with respect to any claim for indemnification pursuant to Section 9, the party or parties against whom such claim has been asserted.

"Indemnity Agreement" is defined in Section 8.7.1.

"Independent Referee" means RSMUS LLP; provided that, if RSMUS LLP is unable or unwilling to serve as Independent Referee, and the Buyer and the Seller Representative are unable to agree on another independent and nationally recognized firm with expertise in disputes of the type contemplated by Section 2.5 within fifteen (15) Business Days of receiving notice that RSMUS LLP will not serve as Independent Referee, the Buyer and the Seller Representative shall each nominate such a firm, and the two firms so nominated shall nominate a third such firm, with such third firm to serve as the Independent Referee.

"Insurance Policies" is defined in Section 9.5.

"Insurance Proceeds" is defined in Section 9.5.

"Intellectual Property" means all: (a) granted patents, pending patent applications, and all related continuation, continuation-in-part, divisional, reissue and re-examinations thereof, utility models, statutory invention registrations and design patents; (b) trademarks, service marks, trade dress, Internet domain names, logos, trade names and corporate names and registrations and applications for registration thereof; (c) copyrights and registrations and applications for registration thereof; (d) computer software, data and documentation; (e) inventions, trade secrets and confidential business information, whether patentable or non-patentable and whether or not reduced to practice, know-how, manufacturing and product processes and techniques, research and development information, unpublished copyrightable works, financial, marketing and business data, pricing and cost information, business and marketing plans and customer and supplier lists and information; (f) other proprietary rights relating to any of the foregoing (including remedies against infringements thereof and rights of protection of interest therein under the laws of all jurisdictions); and (g) copies and tangible embodiments thereof.

"Interim Financial Statements" is defined in Section 3.5.1.

"Internal Revenue Service" means the United States Internal Revenue Service.

"Internal Systems" shall mean any hardware, software, data, equipment, technology or internal systems used by or on behalf of the Company or its Subsidiaries to produce the Customer Deliverables.

"IRCA" is defined in Section 3.18.1.

"Leases" is defined in Section 3.13.1(h).

"Legal Requirement" means, with respect to any Person, any national, supranational, federal, state, provincial, municipal or local statute, law, ordinance, code, rule, resolution, constitution, administrative regulation, Governmental Order, regulatory requirement, stipulation, determination, or regulation issued, enacted, implemented or otherwise put into law by or under the authority of a Governmental Authority and applicable to such Person.

"Liabilities" means any and all liabilities, Indebtedness, claims, commitments, deficiencies and obligations of any kind, whether accrued or fixed, absolute or contingent, matured or unmatured, determined or undeterminable, on- or off-balance sheet or required to be recorded on a balance sheet prepared in accordance with GAAP, including those arising under any Legal Requirement, Action or Government Order and those arising under any Contract.

"Liability Claim" means an indemnification claim by or on behalf of an Indemnified Party for Losses that it believes are or may be recoverable pursuant to Section 9, other than in respect of a Third-Party Claim.

"Lien" means any lien, pledge, hypothecation, charge, mortgage, security interest, encumbrance, claim, option, right of first refusal, preemptive right, community property interest, conditional or installment sale agreement, encumbrance, charges or other claims of third parties of any kind, or restriction of any nature (including any restriction on the voting of any security, any restriction on the transfer of any security or other asset, any restriction on the receipt of any income derived from any asset, any restriction on the use of any asset and any restriction on the possession, exercise or transfer of any other attribute of ownership of any asset).

"LOI" is defined in the Recitals.

"Losses" means the amount of any reasonably foreseeable actual losses, damages, awards, fines, penalties, expenses or fees (including reasonable fees and expenses of counsel), costs (including costs of investigation, arbitration and court costs), claims, demands, Liabilities, judgments, or Taxes of any nature, whether or not involving any Action, including any costs of defending any Actions or enforcing a Buyer Indemnified Party's or Seller Indemnified Party's rights under this Agreement, but excluding any punitive damages exemplary damages, and damages based on "multiple of earnings," "multiple of cash flow" or other similar valuation methodologies based on a "multiple".

"Material Adverse Effect" any effect, change, event, development or circumstance that, considered together with all other effects, changes, events, developments or circumstances is or would reasonably be expected to be materially adverse to the business, assets, Liabilities, condition (financial or otherwise) or results of operations of the Company and its Subsidiaries, taken as a whole; provided, however, that any such change, effect, event, development or circumstance caused by or resulting from any of the following shall not be considered, and shall not be taken into account in determining the existence of, a "Material Adverse Effect": (a) the announcement, pendency or consummation of the Contemplated Transactions, including the impact of any of the foregoing on relationships with customers, suppliers, sales representatives, or Workers, (b) conditions affecting the global or national economy or the financial, credit, commodities or capital markets as a whole, or generally affecting the industries in which the Company conducts its business, (c) any change in financial, banking, or securities markets (including any disruption thereof and any decline in the price of any security or any market index), (d) any change in, adoption of, or change in the interpretation of any applicable Legal Requirement or GAAP, (e) any national or international political or social conditions, including the engagement or continuation by the United States in hostilities or the escalation thereof, whether or not pursuant to the declaration of a national emergency or war, or the occurrence or the escalation of any military or terrorist attack upon the United States, or any of its territories, possessions, or diplomatic or consular offices or upon any military installation, equipment or personnel of the United States, (f) pandemics (including any Legal Requirement issued in response to a pandemic), earthquakes, hurricanes, tornados, floods or other natural disasters, (g) the failure by the Company to meet any revenue or earnings projections, forecasts or predictions (provided, that clause (g) shall not prevent a determination that any effect or change underlying such failure has resulted in a Material Adverse Effect, to the extent such change or effect is not otherwise excluded from this definition of Material Adverse Effect), or (h) any action taken by, or with the written consent of, the Buyer or any of its Affiliates with respect to the Contemplated Transactions or with respect to the Company; except, in the case of the foregoing clauses (b) or (c), to the extent such changes or effects would have a disproportionate effect on the Company compared to other Persons in the industries and geographic regions in which the Company conducts its business.

"Material Contract" is defined in Section 3.13.1.

"Milestone" means an Earn Out milestone, as set forth on the Earn Out Schedule.

"Nasdaq" is defined in Section 5.4.

"New Litigation Claim" is defined in Section 8.1.2.

"NIS" means New Israeli Shekels, the lawful currency of the State of Israel.

"Non-accredited Optionholder" is defined in Section 2.7.1(b).

"Non-Competition Agreements" is defined in the Recitals.

"Non-Economic Milestone" means any Milestone that is not an Economic Milestone.

"Open Source Materials" shall mean all software or other material that is distributed as "free software", "open source software" or under a similar licensing or distribution model, including without limitation the GNU General Public License (GPL), GNU Lesser General Public License (LGPL), Mozilla Public License (MPL), BSD Licenses, the Artistic License, the Netscape Public License, the Sun Community Source License (SCSL), the Sun Industry Standards License (SISL) and the Apache License.

"Organizational Documents" means, with respect to any Person (other than an individual), the certificate or articles of incorporation, organization or formation of such Person and any limited liability company, operating or partnership agreement, by-laws or similar documents or agreements relating to the legal organization of such Person.

"Other Stockholders" is defined in the Recitals.

"Parent Stock" means Parent's Ordinary Shares, NIS 0.01 per share.

"parties" is defined in Section 1.1.

"Permits" means all permits, certificates, licenses, franchises, consents, approvals and authorizations from Governmental Authorities that are necessary to the conduct of the Company's business or operations as presently conducted.

"Permitted Liens" means (a) Liens for Taxes, not yet due and payable or the amount or validity of which is being contested in good faith, and for which adequate reserves have been established on the Financial Statements in accordance with GAAP, (b) landlords' and warehousepersons' Liens, as well as mechanics', materialmens' or carriers' Liens to secure claims for labor, material or supplies and other similar Liens, (c) Liens incurred or deposits or pledges made in connection with, or to secure payment of, workers' compensation, unemployment insurance, old age pension programs mandated under applicable Legal Requirements or other social security regulations, (d) zoning, building, entitlement and other land use regulations or restrictions, (e) the interests of the lessors and sublessors of any leased properties, (f) easements, rights of way and other imperfections of title or encumbrances that do not materially interfere with the present use of the property related thereto, (g) restrictions on the ownership or transfer of securities arising under applicable Legal Requirements, or (h) Liens disclosed on the Interim Financial Statements or in the notes thereto or securing liabilities reflected on the Interim Financial Statements.

"Person" means any natural person or any corporation, partnership, limited liability company, other legal entity or Governmental Authority.

"Post-Closing Reduction Amount" is defined in Section 2.5.5(a).

"Post-Closing Tax Period" means any taxable period or portion thereof on or after the Closing Date.

"Post-FDA Clearance Earn Out Period" means the six (6) consecutive calendar months immediately following FDA Clearance.

"Potential Claim" is defined in Section 8.13.1.

"PPP Escrow Account" is defined in Section 2.4.1(g).

"PPP Escrow Agent" means Wells Fargo Bank, N.A. or Continental Stock Transfer & Trust Company, a New York corporation, as the case may be.

"PPP Escrow Agreement" is defined in Section 2.4.1(g).

"PPP Escrow Amount" is defined in Section 2.4.1(g).

"PPP Funds" means the outstanding amount of the PPP Loan Agreement, including all interest and accrued thereon as of the Closing Date and interest that would accrue thereon through October 31, 2022.

"PPP Loan" means the funds received by the Company pursuant to the PPP Loan Agreement.

"PPP Loan Agreement" means the Company's Promissory Note and Agreement issued to Wells Fargo Bank, N.A., and dated on or about March 31, 2021, under the SBA Paycheck Protection Program.

"Pre-Closing Tax Return" is defined in Section 8.8.2(a).

"Pre-Closing Tax Period" means any taxable period ending before the Closing Date and the portion through the end of the day immediately before the Closing Date for any Straddle Period.

"Prohibited Actions" is defined in Section 2.6.5(a).

"Proposed Action" is defined in Section 9.14.2.

"Proprietary Information" means any information related to the Company, Buyer or the Parent, including any information related to their respective business, organization, financial situation, operations, purchasing and sales activities, Intellectual Property, source codes, information relating to services, operating processes, procedures, price lists, customer lists, technology, designs, and specifications, or other proprietary information of the business of the Company, Buyer or the Parent, this Agreement, the Contemplated Transactions, and the existence of this Agreement and the Contemplated Transactions.

"Purchase Price" is defined in Section 2.2.

"Records" means all files, documents, ledgers, papers, books and records and similar information (whether in paper, electronic or other tangible or intangible form) of the Company that are used or held for use by the Company in, or necessary for the conduct of, the Business, including all technical information, operating and production records, service records, service protocols, documentation of service methodologies, quality control records, blueprints, drawings, technical plans, research and development notebooks and files, customer data, mailing lists, warranty information, product testing reports, manuals, engineering and scientific data, catalogs, advertising and other marketing materials, brochures, sales and promotional literature, standard forms of documents, business plans, budgets, price lists, customer lists and lists of suppliers.

"Reference Balance Sheet" is defined in Section 3.5.1.

"Reference Balance Sheet Date" is defined in Section 3.5.1.

"Regulatory Filings" is defined in Section 8.5.1(b).

"Released Matter" is defined in Section 8.13.1.

"Released Parties" is defined in Section 8.13.1.

"Releasing Parties" is defined in Section 8.13.1.

"Representative" means, with respect to any Person, any director, partner, manager, officer, employee, or Controlling Person of such Person and any agent, consultant, legal, accounting, financial or other advisor or other representative authorized by such Person to represent or act on behalf of such Person.

"Representative Committee" is defined in Section 9.14.2.

"Representative Committee Member" is defined in Section 9.14.2.

"Revenue" is defined in Section 2.6.3.

"Revenue Statement" is defined in Section 2.6.1.

"Schedules Notice" is defined in Section 8.9.

"SEC" means the United States Securities and Exchange Commission.

"SEC Reports" is defined in Section 5.9.

"Second Earn Out Period" means the twelve (12) consecutive calendar months immediately following first anniversary of the Closing Date.

"Securities Act" means the Securities Act of 1933, as amended.

"Seller" and "Sellers" are defined in the Preamble.

"Seller Affiliates" means, for purposes of Section 8.13.1, such Seller's directors, officers, controlling Persons, employees, and affiliated investment funds, if any, but does not include any of such Seller's or Seller's Affiliates' portfolio companies or limited partners.

"Seller Failure to Close" is defined in Section 10.1.7.

"Seller Fundamental Representations" means the representations and warranties set forth in Sections 3.1 (Power and Authorization), 3.2 (Organization), 3.3 (Capitalization; Subsidiaries), 3.7 (Taxes), 3.19 (Brokers), 4.1 (Organization, Power and Standing), 4.2 (Authorization; Enforceability) and 4.4 (Ownership of Shares).

"Seller Indemnified Parties" is defined in Section 9.3.

"Seller Representative" is defined in the Preamble.

"Seller Representative Fund Amount" means an amount in cash equal to $25,000.

"Shares" is defined in the Recitals.

"Siemens" means Siemens Healthineers Beteiligugen GmbH & Co. KG.

"Stock Consideration" means Closing Stock Consideration and Stock Earn Out.

"Stock Earn Out" means shares of Parent Stock with a value of $6,500,000, calculated on the basis of the Earn Out Stock Value.

"Straddle Period" means any taxable period that includes but does not end on the day immediately before the Closing Date.

"Straddle Period Tax Return" is defined in Section 8.8.2(a).

"Subsidiary" of any Person means another Person, of which at least a majority of the securities or stock having by their terms ordinary voting power to elect a majority of the board of directors, other Persons performing similar functions, or the right to appoint or elect a general partner, is owned or controlled directly or indirectly by such first Person.

"Tax" or "Taxes" means any and all (a) United States federal, state or local, or any foreign, income, franchise, profits, gross receipts, license, ad valorem, net worth, value added, sales, use, real or personal property, payroll, withholding, employment, social security, excise, environmental, customs duties, stamp, registration, alternative and add-on minimum tax, special assessment or other governmental and quasi-governmental charges in the nature of a tax payable to any Taxing Authority and including all interest, penalties, additional taxes and additions to tax imposed with respect thereto., whether disputed or not, (b) Liability for the payment of any amounts of the type described in clause (a) of this sentence as a result of being a member of an affiliated, consolidated, combined, unitary or aggregate group for any taxable period, (c) Liability under any state abandonment or unclaimed property, escheat or similar Legal Requirement, and (d) Liability for the payment of any amounts of the type described in clauses (a), (b) or (c) of this sentence as a result of (1) being a transferee of or successor to any person or (2) any express or implied obligation to indemnify or pay any other person for any such amounts.

"Tax Proceeding" is defined in Section 8.8.5.

"Tax Return" means any return, report, form, or information statement required to be filed with a Taxing Authority reporting liability for Taxes, including any schedules or attachments thereto and including any amendment thereof.

"Taxing Authority" means any United States, federal, state, local or any foreign or other governmental agency responsible for the imposition, assessment or collection of any Tax.

"Third Earn Out Period" means the twelve (12) consecutive calendar months immediately following second anniversary of the Closing Date.

"Third-Party Claim" is defined in Section 9.6.1.

"Trading Day" means any day that The Nasdaq Global Market is open for trading.

"Transaction Bonus Payments" means the bonus and other compensatory payments that become payable by the Company solely as a result of the consummation of the Contemplated Transactions, and any employer portion of payroll Taxes related to such payments.

"Transaction Expenses" means all fees, costs and expenses incurred or otherwise payable by the Company in connection with the negotiation, documentation and consummation of the Contemplated Transactions, including such fees and expenses of counsel to the Company, counsel to the Sellers and any other professional fees and expenses, 50% of all premiums and other expenses associated with the D&O Tail Policy, in each case to the extent incurred but unpaid as of the Closing (and excluding the Transaction Bonus Payments and any fees, costs and expenses paid or payable by the Sellers).

"Transfer" is defined in Section 2.6.6.

"Transfer Taxes" means any sales, use, transfer, value added, real property transfer, stamp, registration, documentary, recording or similar duties or Taxes together with any interest thereon, penalties, fines, costs, fees, additions to Tax or additional amounts with respect thereto incurred in connection with the Contemplated Transactions. For the avoidance of doubt, Transfer Taxes do not include any Seller's Income Taxes.

"Treasury Regulations" means the final and temporary regulations promulgated by the United States Department of the Treasury under and pursuant to the Code.

"Unaudited Financial Statements" is defined in Section 3.5.1.

"Warrantholder" means each of Siemens and Physician Fund LP.

"Warrants" "means the outstanding warrants to purchase Company Stock.

"Warrant Payment" means the portion of the Cash Consideration allocable to the Warrantholders in respect of the Warrants, net of the aggregate exercise price of all Warrants, and less the portions of the Deposit, Escrow Cash Amount, and Seller Representative Fund Amount attributable to the Warrantholders in consideration of the Warrants, which amount will be distributed among the Warrantholders, all in accordance with and as set forth on the Allocation Schedule.

"Worker" means any current or former officer, director, employee (regular, temporary, part-time or otherwise), consultant, project worker, agent or individual independent contractor of the Company or any of its Subsidiaries.

"Working Capital" means (a) the current assets of the Company (consisting solely of those asset account line items specified on Schedule 2.5.1(a), excluding all Cash on Hand and current and deferred Income Tax assets), *minus* (b) the current liabilities of the Company (consisting solely of liability account line items as specified on Schedule 2.5.1(a)), excluding any amounts payable in respect of Transaction Expenses, Transaction Bonus Payments, Company Indebtedness, PPP Loan, and current and deferred Income Tax liabilities, in each case determined on a consolidated basis. Working Capital will be calculated using the accounting principles, methods, and practices utilized in preparing the Financial Statements, applied on a consistent basis, applied in accordance with Schedule 2.5.1(a).

"Working Capital Target" means $353,209.

"Yuz" is defined in the Preamble.

2. The Transaction.

2.1. Purchase and Sale of the Shares. At the Closing, and subject to the terms and conditions set forth in this Agreement, (a) the Stockholders shall sell, transfer and deliver to the Buyer, free and clear of all Liens (other than Liens imposed by the Organizational Documents of the Company and applicable securities laws) the Shares, (b) the Accredited Optionholder will cancel in full each such Accredited Optionholder's Accredited Options pursuant to this Agreement in exchange for a portion of the Purchase Price; (c) the Warrantholders will cancel in full each such Warrantholder's Warrants pursuant to this Agreement in exchange for a portion of the Purchase Price; and (d) the Buyer shall purchase from the Stockholders the Shares and acknowledge the cancellation of the Accredited Options and the Warrants, all in exchange for the consideration specified in Section 2.2.

2.2. Purchase Price. The aggregate consideration for the purchase and sale of the Shares pursuant to this Agreement will be:

(a) an amount in cash (the "Cash Consideration") calculated as follows:

2.2.1. $7,000,000 in cash;

2.2.2. *minus* the Estimated Company Indebtedness;

2.2.3. *minus* the amount of the Estimated Transaction Expenses to be paid at the Closing pursuant to Section 2.4.1(c);

2.2.4. *minus* the amount of the Estimated Transaction Bonus Payments to be paid pursuant to Section 2.4.1(d);

2.2.5. *plus* the Estimated Cash on Hand Amount; and

2.2.6. *plus* the amount, if any, by which the Estimated Working Capital Amount exceeds the Working Capital Target; or *minus* the amount, if any, by which the Estimated Working Capital Amount is less than the Working Capital Target;

Plus

(b) Such number of shares of Parent Stock to be issued upon Closing valued at $11,500,000 (calculated based on the Closing Stock Value (the "Closing Stock Consideration"; the aggregate consideration in Sections 2.2(a) and (b) is referred to as the "Purchase Price");

Plus

(c) The Earn Out Amount payable pursuant to Section 2.6, if earned.

(d) The Cash Consideration and the Closing Stock Consideration, and the Earn Out Amount (if earned), and each Stockholder's, Accredited Optionholder's, and Warrantholder's allocable share of the Escrow Amount, PPP Escrow Amount, and Seller Representative Fund Amount will be allocated among the Stockholders, the Accredited Optionholders, and Warrantholders as set forth in Schedule 2.2(c) (the "Allocation Schedule").

The Purchase Price shall be subject to adjustment in accordance with the terms of this Agreement, including in accordance with Section 2.5. Although included in the Estimated Cash on Hand on the Estimated Closing Statement, the Deposit is a component of the Purchase Price and is paid as part of the aggregate consideration for the purchase and sale of the Shares.

2.3. The Closing. Subject to the terms and conditions hereof, the closing of the purchase and sale of the Shares pursuant to this Agreement (the "Closing") shall take place by electronic document transfer (*i.e.*, .pdf signature pages and fully executed documents exchanged via email) as promptly as practicable following, but in no event later than the third (3rd) Business Day following, the satisfaction or waiver of each of the conditions set forth in Sections 6 and 7 hereof (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions at Closing), or at such other time and place as the Buyer and Seller Representative agree in writing (the day on which the Closing takes place, the "Closing Date"). Subject to the provisions of Section 10, the failure of any party to consummate the Closing on the date and time determined pursuant to this Section 2.3 shall not result in the termination of this Agreement and shall not relieve such party of any obligation under this Agreement.

2.4. Closing Deliveries and Payments.

2.4.1. Buyer Closing Deliveries and Payments. At the Closing, the Buyer and Parent shall deliver or cause to be delivered the following:

(a) to the Stockholders, by wire transfer of immediately available funds to the accounts designated in writing by the Seller Representative to the Buyer not less than five (5) Business Days prior to the Closing Date, an amount in cash equal to (i) the Cash Consideration, *minus* (ii) (A) the Deposit, (B) the Escrow Cash Amount, (C) the Seller Representative Fund Amount; (D) the Accredited Option Payment, (E) the Warrant Payment;

(b) to accounts specified by the Company at least three (3) Business Days prior to the Closing Date, by wire transfer of immediately available funds, such cash amounts as are necessary to discharge in full any outstanding amount of Estimated Company Indebtedness, except for the $75,000 contingent payment to Stone Creek Consulting, Inc., which will be payable pursuant to Section 8.15;

(c) to accounts specified by the Company at least three (3) Business Days prior to the Closing Date, by wire transfer of immediately available funds, such cash amounts as are necessary to pay in full the Estimated Transaction Expenses;

(d) to the Company, for further processing through payroll, by wire transfer of immediately available funds to an account designated in writing by the Company to the Buyer no less than five (5) Business Days prior to the Closing Date, such cash amounts as are necessary to pay in full the Accredited Option Payment for further distribution to the Accredited Optionholders;

(e) to the Warrantholders, by wire transfer of immediately available funds to the accounts designated in writing by the Seller Representative to the Buyer not less than five (5) Business Days prior to the Closing Date, an amount in cash equal to the Warrant Payment.

(f) to the Company, for further processing through payroll, by wire transfer of immediately available funds to an account designated in writing by the Company to the Buyer no less than five (5) Business Days prior to the Closing Date, such cash amounts as are necessary to pay in full each of the Estimated Transaction Bonus Payments;

(g) to the Seller Representative, by wire transfer of immediately available funds, the Seller Representative Fund Amount;

(h) to the Escrow Agent, by wire transfer of immediately available funds, the Escrow Cash Amount (the "Escrow Account");

(i) to the Seller Representative, the Escrow Agreement, duly executed by the Buyer, the Parent and the Escrow Agent, and the various certificates, agreements, instruments and documents required to be delivered by the Buyer and the Parent at or prior to the Closing referred to in Section 7; and

(j) to the Stockholders, the Accredited Optionholders, and the Warrantholders, the Closing Stock Consideration, *minus* the Escrow Stock Amount.

2.4.2. Company Closing Deliveries.

(a) At the Closing, the Company shall deliver or cause to be delivered to the Buyer, the various certificates, agreements, instruments and documents to be delivered by the Company at or prior to any Closing referred to in Section 6.

(b) At or prior to the Closing, the Company will deliver to an escrow account (the "PPP Escrow Account") under the control of the PPP Escrow Agent, an amount equal to the PPP Escrow Funds (the "PPP Escrow Amount"), to be held and released in accordance with the terms of the escrow agreement governing such escrow account (the "PPP Escrow Agreement").

2.4.3. Stockholder Closing Deliveries. At the Closing, the Stockholders shall deliver or cause to be delivered to the Buyer the following:

(a) Lost or destroyed share/certificate affidavits and stock powers for transfer of the Shares to the Buyer, in form and substance reasonably satisfactory to the Buyer; and

(b) the PPP Escrow Agreement, duly executed by the Company and the PPP Escrow Agent;

(c) the Escrow Agreement, duly executed by the Seller Representative, and any other agreements, documents, instruments or certificates required to be delivered by the Sellers or the Seller Representative at or prior to the Closing pursuant to Section 6.

2.5. Purchase Price Adjustment.

2.5.1. Estimated Balance Sheet and Estimated Closing Statement. The Seller Representative will in good faith prepare and deliver, or cause to be prepared and delivered, to the Buyer not later than three (3) Business Days prior to the Closing Date a written statement (the "Estimated Closing Statement") setting forth in reasonable detail the Company's good faith estimates of (a) a consolidated balance sheet of the Company and its Subsidiaries as of the Closing Date, (b) (i) Transaction Expenses (listed by payee) (the "Estimated Transaction Expenses"), (ii) Transaction Bonus Payments (listed by payee) (the "Estimated Transaction Bonus Payments"), (iii) Company Indebtedness (the "Estimated Company Indebtedness"), (iv) Working Capital (the "Estimated Working Capital Amount"), and (v) Cash on Hand (the "Estimated Cash on Hand Amount"), in the case of clauses (iv) and (v), as of the Balance Sheet Time, and (c) on the basis of the foregoing, a calculation of the Purchase Price. The Estimated Transaction Bonus Payments, Estimated Transaction Expenses, Estimated Company Indebtedness, Estimated Working Capital Amount and Estimated Cash on Hand Amount set forth in the Estimated Closing Statement (x) will be prepared in accordance with the definitions thereof and, solely in the case of the Estimated Company Indebtedness, Estimated Working Capital Amount and Estimated Cash on Hand Amount, on a basis consistent with the preparation of the sample Closing Statement attached as Schedule 2.5.1(b) hereto (which, solely for illustrative purposes, assumes the Closing occurred on October 25, 2021) and (y) will solely be based on facts and circumstances as they exist prior to Closing (except that the Estimated Transaction Bonus Payments and the Estimated Transaction Expenses will be calculated assuming the occurrence of the Closing) and disregard any financing or other arrangements entered into by the Buyer or any of its Affiliates in connection with the Contemplated Transactions.

2.5.2. Closing Statement. As promptly as practicable, but in any event within ninety (90) days after the Closing Date, the Buyer will in good faith prepare or cause to be prepared, and will provide to the Seller Representative, a written statement (the "Closing Statement") setting forth in reasonable detail the Buyer's proposed determinations of (a) the consolidated balance sheet of the Company and its Subsidiaries as of the Closing Date and (b) (i) Transaction Expenses, (ii) Transaction Bonus Payments, (iii) Company Indebtedness, (iv) Working Capital and (v) Cash on Hand, in the case of clauses (iv) and (v), as of the Balance Sheet Time as derived in accordance with the definitions therefor, and (c) on the basis of the foregoing, a calculation of the Purchase Price. The Closing Statement (x) will be prepared in a manner consistent with the preparation of the sample Closing Statement attached as Schedule 2.5.1(b) hereto and (y) will solely be based on facts and circumstances as they exist prior to Closing (except that the Transaction Bonus Payments and the Transaction Expenses will be calculated based on the occurrence of the Closing) and disregard any financing or any financing or other arrangements entered into by the Buyer or any of its Affiliates in connection with the Contemplated Transactions.

2.5.3. Dispute Notice. The Closing Statement (and the proposed determinations of the Transaction Expenses, Transaction Bonus Payments, Company Indebtedness, Working Capital and Cash on Hand reflected on the Closing Statement) will be final, conclusive and binding on the parties unless the Seller Representative provides a written notice (a "Dispute Notice") to the Buyer no later than forty-five (45) days after delivery of the Closing Statement setting forth in reasonable detail any item(s) or amount(s) on the Closing Statement that are disputed by the Seller Representative (each, a "Disputed Item"). Any item or amount on the Closing Statement to which no dispute is raised in the Dispute Notice will be final, conclusive and binding on the parties. The Buyer shall provide, and shall cause the Company to provide, the Seller Representative and its Representatives with access to, and the opportunity to make copies of, the work papers and other materials used or considered by the Buyer in the preparation of the Closing Statement, and reasonable access to personnel and Representatives of the Buyer and the Company who assisted or were consulted in the preparation of the Closing Statement; provided, that, in each case such provision and access shall be (i) for the purpose of reviewing the Closing Statement and to prepare any Dispute Notice and (ii) during normal business hours and in a manner that does not interfere with the normal business operations of the Buyer or the Company.

2.5.4. Resolution of Disputes. The Buyer and the Seller Representative will attempt to resolve the Disputed Items in good faith during the twenty (20) day period following delivery of the Dispute Notice and all such discussions will (unless otherwise agreed by the Buyer and the Seller Representative) be governed by Rule 408 of the Federal Rules of Evidence and any comparable applicable state rule. Disputed Items resolved in writing by the Seller Representative and the Buyer within the twenty (20) day period will be final, conclusive and binding on the parties. If the Buyer and the Seller Representative are unable to resolve all Disputed Items in the Dispute Notice within such twenty (20) day period, either the Buyer or the Seller Representative may provide written notice to the other (the "Dispute Submission Notice") that such party is submitting any remaining Disputed Items for resolution to the Independent Referee. The Buyer and the Seller Representative shall enter into a customary engagement letter with the Independent Referee. The Buyer and the Seller Representative will use their commercially reasonable efforts to cause the Independent Referee to render its decision as soon as practicable (but in any event within thirty (30) days) after the submission to the Independent Referee of their respective proposed final calculations of the Disputed Items (which the Buyer and the Seller Representative shall submit to the Independent Referee not later than ten (10) days following the giving of the Dispute Submission Notice). Each of the Buyer and the Seller Representative shall, and the Buyer shall cause the Company to, use reasonable best efforts to comply with all reasonable requests by the Independent Referee for access to their respective work papers, information, books, records and similar items, personnel and Representatives (provided, that such access and compliance is during normal business hours and does not interfere with the normal business operations of the Buyer or the Company). The Independent Referee will review such final calculations of the Disputed Items and render a final determination of all Disputed Items in accordance with this Section 2.5, provided that the Independent Referee's final determination with respect to each Disputed Item shall be within the range of the proposed final calculations of such Disputed Item as presented in the Buyer's Closing Statement pursuant to Section 2.5.2 and the Dispute Notice pursuant to Section 2.5.3. The Buyer and the Seller Representative each shall be entitled to make a written submission to the Independent Referee (which must be provided to the other party) in support of its respective proposed final calculations of the submitted Disputed Items, provided that such submissions shall be submitted within twenty (20) days after the submission to the Independent Referee of such proposed final calculations of the submitted Disputed Items. The Independent Referee's determination will be (a) in writing and shall include a reasonably detailed statement of the basis for the Independent Referee's decision, (b) furnished to each of the Buyer and the Seller Representative as soon as practicable (but in any event within thirty (30) days) after the Seller Representative's and the Buyer's respective final calculations of the Disputed Items have been submitted to the Independent Referee, (c) limited in scope to the Disputed Items and (d) final, conclusive and binding on the parties, and judgment on such decision may be entered in any court of competent jurisdiction. The fees and expenses of the Independent Referee shall be borne by (i) the Seller Representative, on the one hand, and (ii) the Buyer, on the other hand, based on the percentage that the portion of the contested amount not awarded to each party bears to the amount actually contested by the parties in aggregate, and such allocation of fees and expenses shall be calculated by the Independent Referee and such calculation shall be final and binding on the parties. By way of illustration, (x) if the Buyer's calculations would have resulted in a $1,000,000 net payment to the Buyer, and the Seller Representative's calculations would have resulted in a $1,000,000 net payment to the Sellers and the Independent Referee's final determination results in an aggregate net payment of $500,000 to the Sellers, then the Buyer and the Sellers shall pay 75% and 25%, respectively, of such fees and expenses and (y) if each of such parties' calculations differs from the Independent Referee's calculation by at least $1,000,000, the Buyer and the Sellers shall split such fees and expenses evenly. At any time the Buyer and the Seller Representative may agree to settle any objections raised in the Dispute Notice, including any Disputed Items submitted to the Independent Referee, which agreement shall be in writing and final, conclusive and binding upon all of the parties hereto with respect to the subject matter of any such objection so resolved; provided that, the parties shall promptly provide a copy of such agreement to the Independent Referee and instruct the Independent Referee not to resolve such Disputed Item, it being agreed that if the Independent Referee nonetheless resolves such Disputed Item for any reason, the agreement of the parties shall control.

2.5.5. Post-Closing Purchase Price Adjustment. As promptly as possible, but in any event no later than the fifth (5^{th}) Business Day following the final determination, in accordance with Section 2.5.3 or Section 2.5.4, of Transaction Expenses, Transaction Bonus Payments, Company Indebtedness, Working Capital and Cash on Hand (respectively, the "Final Transaction Expenses", "Final Transaction Bonus Payments", "Final Company Indebtedness", "Final Working Capital Amount" and "Final Cash on Hand Amount"), a Purchase Price adjustment shall be made as follows:

(a) if (i) the sum of (A) the Final Working Capital Amount, *plus* (B) the Final Cash on Hand Amount, *minus* (C) the Final Transaction Expenses, *minus* (D) the sum of the Final Transaction Bonus Payments, *minus* (E) the Final Company Indebtedness is less than (ii) the sum of (A) the Estimated Working Capital Amount, *plus* (B) the Estimated Cash on Hand Amount, *minus* (C) the Estimated Transaction Expenses, *minus* (D) the sum of the Estimated Transaction Bonus Payments, *minus* (E) the Estimated Company Indebtedness, then the Purchase Price will be reduced by an amount equal to such shortfall (the "Post-Closing Reduction Amount"), and such Post-Closing Reduction Amount shall be paid to the Buyer solely from the Escrow Account and from no other source in accordance with the terms of the Escrow Agreement and otherwise subject to Section 9.10; or

(b) if (i) the sum of (A) the Final Working Capital Amount, *plus* (B) the Final Cash on Hand Amount, *minus* (C) the Final Transaction Expenses, *minus* (D) the sum of the Final Transaction Bonus Payments, *minus* (E) the Final Company Indebtedness is greater than (ii) the sum of (A) the Estimated Working Capital Amount, *plus* (B) the Estimated Cash on Hand Amount, *minus* (C) the Estimated Transaction Expenses, *minus* (D) the sum of the Estimated Transaction Bonus Payments, *minus* (E) the Estimated Company Indebtedness, then the Purchase Price will be increased by an amount equal to such excess and the Buyer will pay such excess amount to the Sellers (provided that compensatory payments shall be made subject to the last sentence of Section 2.6) within five (5) Business Days after the determination of such excess amount by wire transfer of immediately available funds to the account specified by the Seller Representative.

2.6. Earn Out. As additional consideration for the purchase of the Shares, Buyer will pay the Earn Out Amount if earned in accordance with this Section 2.6 (such payment, the "Earn Out"). The Earn Out, if earned, will be paid to the Sellers and allocated among them as set forth in the Allocation Schedule.

2.6.1. Revenue Statement; Earn Out Statement. Within forty-five (45) days following the end of each of the First Earn Out Period and Second Earn Out Period, Buyer will prepare and deliver to the Seller Representative a statement (a "Revenue Statement") setting forth the Revenue and EBITDA for that portion of the First Earn Out Period and Second Earn Out Period, as applicable, along with a statement setting forth whether the Economic Milestones have been met for that respective portion of the Earn Out Period. Within forty-five (45) days following the end of each calendar quarter during each Earn Out Period, Buyer will prepare and deliver to the Seller Representative an interim statement setting forth whether any Non-Economic Milestone was achieved during such period (each, an "Earn Out Statement") as if the Earn Out Period had ended at the end of such quarter; provided, however, that any failure to comply with this sentence will not constitute a breach of this Agreement if Buyer cures such failure either (i) before receiving any written notice of such failure from the Seller Representative, or (ii) within five Business Days after receiving a written notice of such failure from the Seller Representative. Upon Seller Representative's determination that any Non-Economic Milestone has been achieved, the Seller Representative may notify Buyer in writing of the achievement of such Non-Economic Milestone (a "Milestone Achievement Notice"), and unless Buyer disputes in writing the achievement of such Milestone within thirty (30) days after receipt of the Seller Representative's notice, Buyer shall pay to the Sellers the amount attached to the relevant Non-Economic Milestone as described in Section 2.6.2 below. If Buyer disputes the Milestone Achievement Notice, then Buyer will address such Non-Economic Milestone in the next Earnout Out Statement, and the Seller Representative may accept or dispute such Earn Out Statement as otherwise provided in this Section 2.6.

2.6.2. Payments.

(a) If the Continuing Business Company achieves any Milestone for the relevant Earn Out Period, as confirmed by (i) Buyer in the relevant Revenue Statement or an Earn Out Statement, or (ii) Seller Representative, as to any Non-Economic Milestone, pursuant to a Milestone Achievement Notice that Buyer does not dispute within thirty (30) days after receipt, Buyer shall pay to the Sellers, in accordance with the Allocation Schedule, the amounts attached to the relevant Milestone according to the Earn Out Schedule (such calculated amounts are referred to as the "Earn Out Amount").

(b) The Buyer shall pay the relevant portion(s) of the Earn Out Amount in accordance with the Allocation Schedule within fifteen (15) days after the Seller Representative's notice, unless Seller Representative disputes any element of a Revenue Statement (or any calculation provided therewith) or an Earn Out Statement, pursuant to Section 2.6.4, in which case any payment shall be due on such date as the Buyer and the Seller Representative resolve the dispute under Section 2.6.4 (a date on which payment is due is referred to as a "Earn Out Payment Date"). Buyer shall pay the relevant portion of the Earn Out Amount in accordance with the Allocation Schedule within fifteen (15) days after a Milestone Achievement Notice, unless Buyer disputes such Milestone Achievement Notice, in which case any payment shall be due on such date as the Buyer and the Seller Representative resolve the dispute under Section 2.6.4. Any cash payment on a Earn Out Payment Date shall be made in accordance with the Allocation Schedule via wire transfer of immediately available funds to an account designated in writing by each Seller, respectively, not less than five (5) Business Days prior to the Earn Out Payment Date.

2.6.3. Definitions. For purposes of this Section 2.6 and Schedule 2.6.1:

(a) "Revenue" means the revenues recognized by the Continuing Business Company, in accordance with GAAP and reviewed by the Parent's auditor, except that "Revenue" excludes (1) all governmental taxes, assessments, charges, duties, withholding, refunds and tax reclaims relating to the utilization of the Continuing Business, and (2) all intercompany transactions between the Buyer, the Company, the Parent or any of their respective Affiliates that are not associated with the Continuing Business.

(b) "EBITDA" means (a) net income after taxes for such period (excluding extraordinary gains or losses); plus (b) any interest expense for such period; plus (c) income tax expense for such period; plus (d) depreciation and amortization for such period; plus or minus (e) any other non-cash and non- recurring charges or gains which have been subtracted or added in calculating net income after taxes for such period, recognized by the Continuing Business Company, in each case in accordance with GAAP and reviewed by the Parent's auditor, during the relevant Earn Out Period. For the avoidance of doubt, it is acknowledged that (i) any affiliate or intercompany transaction, service, allocation or charge (including with respect to MDW) that that are not associated with the Continuing Business of the Company and negatively affects net income shall be excluded from the calculation of EBITDA and (ii) all compensation for US employees and contractors of the Continuing Business Company shall be included in the calculation of EBITDA.

2.6.4. Disputes.

(a) Seller Representative may dispute any element of a Revenue Statement (or any calculation provided therewith) or an Earn Out Statement by delivering written notice to Buyer of said disagreement, setting forth in detail the particulars of such disagreement (a "Earn Out Dispute Notice"), within thirty (30) days after the receipt by Seller Representative of a Revenue Statement or an Earn Out Statement. During such thirty (30) day period, Seller Representative and any accountant or agent of Seller Representative shall have full access during normal business hours (i) to the relevant books and records of, and the work papers prepared by, Buyer to the extent that they relate to a Revenue Statement (or any calculation provided therewith) or an Earn Out Statement, and (ii) to such historical financial information (to the extent in Buyer's possession or control) relating to a Revenue Statement (or any calculation provided therewith) or an Earn Out Statement as Seller Representative may reasonably request for the purpose of reviewing a Revenue Statement (or any calculation provided therewith) or an Earn Out Statement.

(b) In the event that Seller Representative did not provide such a Earn Out Dispute Notice within such thirty (30) day period, Seller Representative shall be deemed to have accepted a Revenue Statement (and any calculation provided thereunder) or an Earn Out Statement, which shall thereafter be final, binding, non-appealable and conclusive for all purposes hereunder.

(c) In the event a Earn Out Dispute Notice is timely provided, Buyer and Seller Representative shall use their reasonable efforts for a period of thirty (30) days (or such longer period as they shall mutually agree) from the date of receipt of such notice, to resolve such disagreements.

(d) If the Buyer and the Seller Representative are unable to resolve the matters disputed in the Earn Out Dispute Notice within such thirty (30) day period, either the Buyer or the Seller Representative may provide written notice to the other (the "Earn Out Dispute Submission Notice") that such party is submitting any remaining matters disputed in the Earn Out Dispute Notice for resolution to the Independent Referee, subject to Section 2.6.4(e). The Buyer and the Seller Representative shall enter into a customary engagement letter with the Independent Referee. The Buyer and the Seller Representative will use their commercially reasonable efforts to cause the Independent Referee to render its decision as soon as practicable (but in any event within thirty (30) days) after the submission to the Independent Referee of their respective proposed calculations of Revenue and EBITDA (which the Buyer and the Seller Representative shall submit to the Independent Referee not later than ten (10) days following the giving of the Earn Out Dispute Submission Notice). Each of the Buyer and the Seller Representative shall, and the Buyer shall cause the Company to, use reasonable best efforts to comply with all reasonable requests by the Independent Referee for access to their respective work papers, information, books, records and similar items, personnel and Representatives (provided that such access and compliance is during normal business hours and does not interfere with the normal business operations of the Buyer or the Company). The Independent Referee will review such final calculations of the matters disputed in the Earn Out Dispute Notice and render a final determination of the matters disputed in the Earn Out Dispute Notice in accordance with this Section 2.6. The Buyer and the Seller Representative each shall be entitled to make a written submission to the Independent Referee (which must be provided to the other party) in support of its respective proposed final calculations of the matters disputed in the Earn Out Dispute Notice, provided that such submissions shall be submitted within twenty (20) days after the submission to the Independent Referee of such proposed final calculations of the matters disputed in the Earn Out Dispute Notice. The Independent Referee's determination will be (a) in writing and shall include a reasonably detailed statement of the basis for the Independent Referee's decision, (b) furnished to each of the Buyer and the Seller Representative as soon as practicable, and (c) final, conclusive and binding on the parties, and judgment on such decision may be entered in any court of competent jurisdiction. The fees and expenses of the Independent Referee shall be borne 50% by the Seller Representative, on the one hand, and 50% by the Buyer, on the other hand, unless the Independent Referee determines the Buyer's calculations set forth in the applicable Revenue Statement are misstated by 5% or more, in which case the Buyer will pay 100% of the fees and expenses of the Independent Referee. At any time the Buyer and the Seller Representative may agree to settle the dispute, which agreement shall be in writing and final, conclusive and binding upon all of the parties hereto with respect to the subject matter of any such objection so resolved; provided that, the parties shall promptly provide a copy of such agreement to the Independent Referee and instruct the Independent Referee not to resolve the dispute, it being agreed that if the Independent Referee nonetheless resolves the dispute for any reason, the agreement of the parties shall control.

(e) Notwithstanding any provision of this Agreement to the contrary, the Independent Referee shall not have the power to resolve any dispute relating to Section 2.6.5.

2.6.5. Operation of Business.

(a) During the Earn Out Period, each of the Buyer and Parent hereby covenants and agrees (i) to regularly discuss the operation of the Continuing Business with Yuz, as long as Yuz is employed by the Buyer or its Affiliates; (ii) not to take, and to cause the Company or any of its Affiliates not to take, any action that is intended to prohibit or otherwise limit the ability of the Sellers to earn the Earn Out Amount; (iii) to operate the Continuing Business in good faith and not to take any actions in bad faith that would interfere with the maintenance by the Company of existing customer relationships or the development by the Company of new customer relationships; (iv) not to take any action, the purpose of which is to avoid achievement of any Earn-Out milestone that will result in an Earn Out Payment; (v) not to impose or incur any affiliate or intercompany transaction, service, allocation or charge that is intended to, or which the purpose is to, manipulate the results of operations of the Company in order to avoid the achievement of any Earn Out Payment, it being understood that Buyer and Parent are free to take steps that in their discretion are desirable to integrate MDW, LLC and the Company and neither Parent nor Buyer is required to invest any capital in the Continuing Business after the Closing except as otherwise expressly set forth in the Earn Out Schedule; and (vi) during the First Earn Out Period and Second Earn Out Period, if the Parent or Buyer alter the cost structure of the Company in a manner inconsistent with the conduct of the Business prior to the Closing such that there is a resulting decrease in the EBITDA or Revenue of the Company, such decrease shall not be allocated against the Continuing Business Company's EBITDA or Revenue calculations for purposes of the Earn Out and the EBITDA or Revenue will be calculated without reference to or inclusion of such costs and expenses that resulted in the decrease in the EBITDA or Revenue of the Company (each action in subsections (ii) through (vi) a "Prohibited Action"). Additionally, each of Buyer and Parent agrees that it will not dispose of any material portion of the Continuing Business or the Company prior to the expiration of the Earn Out Period (whether by merger, consolidation, sale of stock or assets, reorganization, recapitalization or otherwise), unless at the closing of such disposition Buyer pays the maximum Earn Out Amount in full, regardless of the extent to which the Earn Out Amount has been earned. Buyer agrees that if Buyer, the Company or their respective Affiliates materially breach the covenants and agreements contained in this Section 2.6, then following written notice and the failure to cure within five (5) Business Days after receipt of notice, Buyer will automatically be obligated to pay the maximum Earn Out Amount in full, regardless of the extent to which the Earn Out has been earned.

(b) During the Earn Out Period, Buyer and the Company will permit each of Yuz, Elaine Yuz, Brian Phelan and Jonathan Krutchik to dedicate substantially all of his or their time to the operation of the Continuing Business. Buyer will not direct Yuz, Elaine Yuz, Brian Phelan or Jonathan Krutchik to dedicate their time to other aspects of the business of the Buyer or its Affiliates other than the Continuing Business in a manner that would adversely impact the likelihood of achieving the maximum Earn Out.

(c) The Sellers each acknowledge and agree that (i) the Earn Out Amount is speculative and is subject to numerous factors, some of which are outside the control of the Buyer and the Company, (ii) there is no assurance that the Sellers will receive any Earn Out Amount and none of the Buyer, the Company or any of their respective Affiliates has promised or projected any Earn Out Amount, (iii) the Buyer, the Company and their respective Affiliates owe no fiduciary duty to the Sellers other than those arising under applicable Law, and (iv) the parties intend solely the express provisions of this Agreement to govern their contractual relationship with respect to any Earn Out Amount.

(d) Without limiting the generality of the foregoing, subject to the Buyer's agreement not to take any Prohibited Actions and as otherwise expressly set forth in the Earn Out Schedule, none of the Buyer, the Company, nor any of their respective Affiliates shall be required to operate the Company or the Continuing Business in any particular manner or expend any particular level of effort in conducting the Continuing Business.

2.6.6. The rights of the Sellers to receive the Earn Out Amount (i) are solely contractual rights and are not securities for purposes of any federal or state securities Laws, and shall confer upon the Sellers only the rights of general unsecured creditors; (ii) do not constitute an investment or ownership interest in the Parent, Buyer or the Company; (iii) are an integral part of the consideration payable by the Buyer for the Shares owned by the Sellers; (iv) will not be represented by any form of certificate or instrument; (v) do not give any Seller any dividend rights, voting rights, liquidation rights, preemptive rights or other rights as security holders of the Parent, the Buyer or any of their Affiliates; (vi) are not redeemable; (vii) do not bear interest; and (vii) except as provided in Section 11.7, may not be sold, assigned, pledged, gifted, conveyed or otherwise transferred (a "Transfer"), except to an Affiliate or by operation of law or pursuant to the laws of descent and distribution (with any Transfer in violation of this Section 2.6.5 being null and void). The Parties agree to treat the Earn Out Payment as consideration payable by the Buyer in exchange for the Shares for all Tax purposes, except as and to the extent required by applicable Legal Requirement.

2.7. Company Stock Options and Warrants.

2.7.1. Before the Closing, the Board of Directors of the Company shall adopt such resolutions or take such other actions as may be required to effect the following:

(a) Authorize the Company to enter into an option cancellation agreement with each holder of vested Company Stock Options that is not an Accredited Investor (each such investor, a "Non-Accredited Optionholder," and each such Company Stock Option held by a Non-Accredited Optionholder, a "Non-Accredited Option") as necessary to provide that (X) each such vested Non-Accredited Option that is unexercised as of the Closing will be cancelled and converted immediately prior to the Closing into the right to receive a Transaction Bonus Payment from the Company in an amount as set forth in and in accordance with the Allocation Schedule, and (Y) each option to purchase Company Stock outstanding immediately prior to the Closing that is not a vested Company Stock Option shall terminate at the Closing.

(b) Authorize each Accredited Investor that holds a vested Company Stock Option to enter into this Agreement and receive a portion of the Purchase Price in exchange for the termination and cancellation of his or her vested Accredited Option. Such Accredited Investor will be entitled to receive a portion of the Purchase Price as set forth in this Agreement.

2.7.2. Each Accredited Optionholder agrees that immediately prior to the Closing, the Company Stock Options held by such Accredited Optionholder will be canceled and terminated, and such Accredited Optionholder has no further rights in or with respect to such Company Stock Options other than the right to payment as provided in Section 2.2.

2.7.3. Each Warrantholder agrees that immediately prior to the Closing, the Warrants held by such Warrantholder will be canceled and terminated, and such Warrantholder has no further rights in or with respect to such Warrants other than the right to payment as provided in Section 2.2.

2.8. Withholding. The Buyer, the Company and any other applicable withholding agent will be entitled to deduct and withhold or cause to be deducted and withheld from any amounts payable or consideration otherwise deliverable to any Person pursuant to this Agreement or any ancillary agreement any payroll Taxes or other amounts required under the Code or any applicable Tax Legal Requirement to be deducted and withheld; provided, however, that before any such deduction or withholding is made (other than with respect to compensatory payments for employment), the Buyer shall provide reasonable advance notice (and no less than four (4) Business Days') of such withholding together with an explanation of the relevant Legal Requirement that requires such withholding, so as to provide such Person with the opportunity to provide any forms or other documentation or take such other steps in order to avoid such deduction or withholding, and (b) reasonably cooperate with any efforts of such Person to reduce or eliminate any such deduction or withholding. Any such amounts deducted or withheld that are properly remitted to the appropriate Taxing Authorities will be treated for all purposes of this Agreement as having been paid to the Person in respect of which such deduction and withholding was made. Notwithstanding any other provision of this Agreement, all compensatory payments for services for employment subject to withholding that are contemplated by this Agreement or the Escrow Agreement shall be payable through the Company's (or any applicable Subsidiary's) payroll in accordance with applicable payroll procedures.

3. Representations and Warranties of the Company and Yuz.

Except as provided in the Disclosure Schedules (subject to Section 11.15), each of the Company and Yuz, severally and not jointly, represents and warrants to the Buyer as of the date hereof and the Closing Date (unless the particular statement speaks expressly as of a particular date, in which case it is true and correct only as of such date) as follows (in each case, except where context implies otherwise, with respect to the Company and its direct and indirect Subsidiaries):

3.1. Power and Authorization. The Company has the corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The Company has taken all corporate actions or proceedings required to be taken by or on the part of the Company or Sellers to authorize and permit the execution and delivery by the Company of this Agreement and the instruments required to be executed and delivered by it pursuant hereto, and the performance by the Company of its obligations hereunder and the consummation by the Company of the Contemplated Transactions. This Agreement has been duly executed and delivered by the Company and the Seller Representative, and assuming the due authorization, execution and delivery by each of the other parties hereto, constitutes the legal, valid and binding obligation of the Company and the Seller Representative, enforceable against it and the Seller Representative in accordance with its terms.

3.2. Organization. The Company (a) is duly organized, validly existing and in good standing under the laws of the State of Delaware, and (b) has all requisite power and authority and all Permits necessary to own, lease and operate its properties and assets and to carry on its businesses as currently conducted and as proposed to be conducted. The Company is duly qualified or licensed to do business and is in good standing in each jurisdiction where the character of the properties owned, leased or licensed by it or the nature of its business makes such qualification, licensing or good standing necessary, except where the failure to be so qualified or licensed or in good standing has not had, and would not reasonably be expected to have, a Material Adverse Effect. The Company has made available to the Buyer true and correct copies of the Company's Organizational Documents. The Company is not in violation of any of the provisions of its Organizational Documents, and no changes thereto are pending.

3.3. Capitalization; Subsidiaries.

3.3.1. Title to Shares.

(a) The entire authorized equity of, and other interest in, the Company consists of the Shares, which Shares are duly authorized, validly issued, fully paid, nonassessable, and free of preemptive rights, and all such Shares are free and clear of any Lien other than Liens imposed by the Company's Organizational Documents and applicable securities laws, and have not been issued in violation of any Legal Requirement or contractual right, including preemptive rights (other than those created by virtue of this Agreement and the Organizational Documents). Upon consummation of the Contemplated Transactions, Buyer shall own all of the Shares, free and clear of all Liens other than Liens imposed by the Company's Organizational Documents and applicable securities laws and imposed on or permitted with respect to third parties by the Buyer. Set forth on Schedule 3.3.1(a) is the name of each record owner of Shares and the number and type of shares in the Company such Person holds.

(b) Except as set forth on Schedule 3.3.1(b), there are no outstanding or authorized options, warrants, convertible securities or other rights, agreements, arrangements or commitments of any character relating to any equity in the Company or obligating any Seller or the Company to issue or sell any equity (including the Shares), in the Company. Other than the Organizational Documents, there are no voting trusts, proxies or other agreements or understandings in effect with respect to the voting or transfer of any of the Shares.

3.3.2. Schedule 3.3.2 sets forth the name of each Subsidiary of the Company, the jurisdiction of its incorporation or organization, the direct owner(s) of the issued and outstanding equity securities of such Subsidiary and the percentage of the issued and outstanding equity of such Subsidiary owned by such owner(s). Each such Subsidiary listed on Schedule 3.3.2 is a direct or indirect wholly owned Subsidiary of the Company, and there are no outstanding options, warrants or other rights of any Person to acquire any shares or any other equity securities of such direct and indirect Subsidiaries of the Company, or securities exercisable or exchangeable for, or convertible into, equity securities of, or equity interests in, such direct and indirect Subsidiaries of the Company (in each case, other than the Company or another direct or indirect Subsidiary of the Company). Except as set forth on Schedule 3.3.2 or in the Organizational Documents of such entity, no Subsidiary is party to or bound by any voting or other similar agreement with respect to any of such Subsidiary's equity securities. Neither the Company nor any of its Subsidiaries owns or holds the right or is obligated to acquire any stock, partnership interest or joint venture interest or other equity ownership interest in any other Person, other than as set forth on Schedule 3.3.2. Each of the Subsidiaries listed on Schedule 3.3.2 is duly organized, validly existing and is in good standing under the Legal Requirements of the jurisdiction of its incorporation or organization, has all requisite power and authority and all Permits necessary to own, lease and operate its properties and assets and to carry on its businesses as currently conducted. Each of the Subsidiaries listed on Schedule 3.3.2 is qualified to do business and in good standing in every jurisdiction in which its ownership of property or the conduct of its businesses as currently conducted requires it to qualify, except where the failure to be so qualified has not had, and would not be reasonably expected to have, a Material Adverse Effect. Schedule 3.3.2 also lists (i) the officers and directors of the Company and each of its Subsidiaries, (ii) the jurisdictions in which the Company and each of its Subsidiaries is qualified to do business, and (iii) the jurisdictions in which the Company or any of its Subsidiaries has an office or facility, employed or engaged a Worker or conducted business. The Company has made available to the Buyer true and correct copies of each Subsidiary's Organizational Documents as currently in effect, as applicable.

3.4. No Violation or Approval; Consents. Except as set forth in Schedule 3.4, none of the execution and delivery of or its performance of its obligations under this Agreement by the Company or its consummation of the Contemplated Transactions, will:

3.4.1. require any consent, waiver, approval, clearance, permit, order or authorization of or from, or registration, declaration, notice or filing to or with any Governmental Authority with respect to the Company or any Company Subsidiary;

3.4.2. (a) result in a breach of, constitute (with or without due notice or lapse of time or both) a default under, result in the acceleration of obligations under, create in any Person the right to accelerate, terminate, modify or cancel, or require any notice, consent or waiver under, any material Contract, Permit, Lien (other than Permitted Liens) or other arrangement to which the Company or its Subsidiary is a party or by which the Company or its Subsidiary is bound or to which its assets are subject, or (b) result in the imposition of any Lien (other than Permitted Liens); or

3.4.3. result in a breach or violation of, or default under, the Organizational Documents of the Company or any of its Subsidiaries.

3.5. Financial Statements, Etc.

3.5.1. The Company has made available to the Buyer copies of: (a) the audited consolidated balance sheet of the Company as of December 31, 2019 and December 31, 2020, and the related statements of income and cash flows of the Company for the fiscal year then ended (the "Audited Financial Statements"), (b) the unaudited consolidated balance sheet of the Company as of June 30, 2021, and the related statements of income and cash flows of the Company for the six (6) month period then ended (the "Unaudited Financial Statements") and (c) the unaudited balance sheet of the Company as of June 30, 2021 (respectively, the "Reference Balance Sheet" and the "Reference Balance Sheet Date") and the related statements of income and cash flows of the Company for the six-month period then ended (the "Interim Financial Statements" and, collectively with the Audited Financial Statements and Unaudited Financial Statements, the "Financial Statements"). The Financial Statements (i) have been prepared in accordance with GAAP, consistently applied, and (ii) present fairly in all material respects the financial position of the Company and the results of operations of the Company and any of its Subsidiaries (taken as whole) as of the respective dates thereof and for the periods covered thereby subject in the case of the Reference Balance Sheet to the absence of footnote disclosures and other presentation items. Except as disclosed in Schedule 3.5, neither the Company nor its Subsidiaries has any Liabilities (whether or not required to be reflected in the Financial Statements under GAAP), except for Liabilities that (v) are reflected in or reserved against in the Reference Balance Sheet, (w) have arisen or incurred in the ordinary course of business since the date of the Reference Balance Sheet (none of which results from, arises out of, relates to, is in the nature of, or was covered by any breach of contract, breach of warranty, tort, infringement, or violation of Legal Requirement), (x) are reflected in the calculation of the Estimated Working Capital Amount, (y) Liabilities arising pursuant to the terms of any Contract for which the Company or any of its Subsidiaries is a party that have not yet been performed (provided, neither the Company nor any of its Subsidiaries is in breach, violation, or non-compliance with such Contract), and (z) are included in Indebtedness or Transaction Expenses.

3.5.2. Neither the Company nor its Subsidiary is a party to, or has any commitment to become a party to, any joint venture, off-balance sheet partnership or any similar contract relating to any transaction or relationship between or among the Company or its Subsidiary, on the one hand, and any unconsolidated affiliate, including any structured finance, special purpose or limited purpose Person on the other hand, or any "off-balance sheet arrangement" (as defined in Item 303(a) of Regulation S-K of the Securities Act).

3.5.3. The Company has in place systems and processes (including the maintenance of proper books and records) that are designed to (a) provide reasonable assurances regarding the reliability of the Financial Statements and (b) in a timely manner accumulate and communicate to the Company's principal executive officer and principal financial officer the type of information that would be required to be disclosed in the Financial Statements (such systems and processes, the "Financial Controls"). The Company has in place a revenue recognition policy consistent with GAAP. None of the Company, its Subsidiaries, their respective officers nor the Company's independent auditors has identified or been made aware of any complaint, allegation, deficiency, assertion or claim, whether written or oral, regarding the Financial Controls or the Financial Statements that has not been resolved. To the Company's Knowledge, there have been no instances of fraud or intentional misrepresentation by any Worker that occurred during any period covered by the Financial Statements.

3.6. Ordinary Course of Business; No Material Adverse Effect. Since the Reference Balance Sheet Date: (a) the Company and its Subsidiaries have operated in the Ordinary Course of Business; and (b) no Material Adverse Effect has occurred.

3.7. Taxes. Except in each case as set forth on Schedule 3.7:

3.7.1. The Company and any of its Subsidiaries have filed, or have caused to be filed on their behalf (after giving effect to extensions), all Income Tax and material other Tax Returns required to be filed by or with respect to the Company and each of its Subsidiaries. All such Tax Returns were true, correct and complete in all material respects; provided, however, that regardless of what may be reported on any such Tax Returns, no representation is made regarding (i) any carryovers of net operating losses, Tax credits, or charitable contribution or other Tax benefits items that are available to the Company or that have been reported by the Company for any federal, state, or other Tax purposes, or (ii) any limitation on use of the Company's net operating losses, capital losses, built-in losses, Tax credits, charitable contributions, or other tax benefit carryovers that might apply either as of or after the Closing Date under Sections 269, 382, 383, 384 or 1502 of the Code, any rules or regulations thereunder, or any other applicable limitations under any Tax Legal Requirements. All material Taxes required to be paid by or with respect to the Company or its Subsidiaries (whether or not shown as due and payable on any such Tax Return) have been paid in full.

3.7.2. All Taxes required to have been withheld and paid in connection with amounts paid by the Company or its Subsidiaries to any Worker, creditor, stockholder, or other third party have been withheld and paid to the appropriate Taxing Authority.

3.7.3. Neither the Company nor any of its Subsidiaries have been notified in writing by a Taxing Authority of any deficiency or other assessment, audit or examination concerning Taxes of the Company or any of its Subsidiaries (i) that has not been fully resolved, and (ii) that, if determined adversely to the Company or its Subsidiaries, would reasonably be expected to result in material Tax Liability.

3.7.4. There are no pending requests for rulings or determinations by or before a Taxing Authority relating to Taxes with respect to the Company or any of its Subsidiaries. No power of attorney has been executed by or on behalf of the Company or any of its Subsidiaries with respect to any matters relating to Taxes that is currently in force.

3.7.5. There has been no extension or waiver of any statute of limitations in respect of Taxes with respect to the Company or any of its Subsidiaries that remains in effect.

3.7.6. No written claim or, to the Company's Knowledge, any other claim or nexus inquiry has been made to the Company by a Taxing Authority in a jurisdiction where the Company or any of its Subsidiaries does not file Tax Returns that the Company or any of its Subsidiaries is or may be subject to taxation by that jurisdiction or that the Company or any of its Subsidiaries has a duty to collect Taxes.

3.7.7. None of the assets of the Company or any of its Subsidiaries are currently subject to any Liens with respect to Taxes, other than Permitted Liens.

3.7.8. Neither the Company nor any of its Subsidiaries is a party to or bound by any Tax sharing agreement, Tax indemnity, or tax-allocation agreement other than any such agreement not primarily related to Taxes.

3.7.9. The Company has no, and has never had, a Subsidiary other than XMRI.COM PLLC and USARAD PR LLC, which is, and has been since its formation, an entity disregarded as separate from the Company under Treasury Regulations Section 301.7701-3.

3.7.10. Neither the Company nor any of its Subsidiaries has, or ever had, (during any taxable period remaining open for the assessment of Tax by any applicable Taxing Authority under its applicable statute of limitations), any place of business or permanent establishment in any country outside of the United States.

3.7.11. Neither the Company nor any of its Subsidiaries has obtained any consent or clearance from or entered into any settlement or arrangement with any Taxing Authority that would be binding on the Buyer or result in a material Tax Liability for the Buyer for any Tax period (or portion thereof) ending after the Closing Date.

3.7.12. The Company and its Subsidiaries have properly and timely documented its transfer pricing methodology in compliance with Sections 482 and 6662 of the Code and any similar or comparable provision of applicable Legal Requirement. Neither the Company nor any of its Subsidiaries is a party to any advance pricing agreement with any Taxing Authority or any similar or comparable contract or agreement.

3.7.13. Neither the Company nor any of its Subsidiaries will be required to include any item of income in, or exclude any item of deduction from, taxable income for any period (or any portion thereof) ending after the Closing Date, as a result of any: (i) change in method of accounting for a taxable period (or portion thereof) ending on or before the Closing Date, including under Section 481(a) of the Code or any similar provision of applicable Legal Requirement; (ii) installment sale or other open transaction disposition made prior to the Closing Date; (iii) prepaid amount received prior to the Closing Date; (iv) closing agreement described in Section 7121 of the Code or any similar provision of applicable Legal Requirement executed prior to the Closing Date; or (v) intercompany transaction or excess loss account described in Treasury Regulations Section 1.1502 (or any similar provision of applicable Legal Requirement) that occurs or arises before the Closing.

3.7.14. Neither the Company nor any of its Subsidiaries (including any predecessor thereof) has (i) engaged in a "listed transaction," as defined in Section 6707A(c)(1) of the Code or Treasury Regulations Section 1.6011-4(b), (ii) ever been a member of a consolidated, combined, unitary or aggregate group of corporations within the meaning of Section 1504 of the Code or any similar provision of applicable Tax Legal Requirement (other than a group of which the Company is the common parent), or (iii) actual or potential Liability under Treasury Regulations Section 1.1502-6 or any similar provision of applicable Tax Legal Requirement, as a transferee or successor, as a result of any contractual obligation, or otherwise for any Taxes of any other Person.

3.7.15. Neither the Company nor any of its Subsidiaries has ever participated in an international boycott within the meaning of Section 999 of the Code.

3.7.16. Neither the Company nor any its Subsidiaries is, or at any time has been, subject to (i) the dual consolidated loss provisions of Section 1503(d) of the Code or similar provision of other Tax Legal Requirement, or (ii) the overall foreign loss provisions of Section 904(f) of the Code or similar provision of Tax Legal Requirements.

3.7.17. Schedule 3.7.17 contains a true and complete list of all jurisdictions (whether foreign or domestic) to which any income Tax has been properly payable by the Company and its Subsidiaries.

3.7.18. Neither the execution of this Agreement nor the consummation of the Contemplated Transactions could (whether in cash or property or vesting of property) or will result in "excess parachute payments" within the meaning of Section 280G(b) of the Code.

Notwithstanding anything to the contrary in this Agreement, (i) this Section 3.7 contains the sole and exclusive representations and warranties of Yuz, the Company and its Subsidiaries regarding Taxes, Tax Returns and other matters relating to Taxes, (ii) nothing in this Agreement (including this Section 3.7) shall be construed as providing a representation or warranty with respect to the existence, amount, expiration date or limitations on (or availability of) any Tax attribute of the Company or any of its Subsidiaries (including methods of accounting of the Company) and (iii) the Sellers shall have no Liability under this Agreement (including via the Escrow Agreement) for any Taxes attributable to a Post-Closing Tax Period, for any Taxes that were taken into account in the Final Working Capital Amount, or for any Taxes resulting from or attributable to actions taken by the Buyer, the Company, or any Affiliate of the Buyer outside the ordinary course of business on the Closing Date but after the Closing.

3.8. Real Estate.

3.8.1. Leases.

(a) Except as set forth on Schedule 3.8.1(a), as of the date hereof, each of (i) the Leases is in full force and effect, is valid and binding on the Company and its Subsidiaries, as applicable, and, to the Company's Knowledge, each of the other parties thereto, enforceable in accordance with its terms (ii) the Company and any Subsidiary, as applicable, and, to the Company's Knowledge, each of the other parties thereto, has performed all material obligations required to be performed by it under each Lease, and (iii) the Company and any Subsidiary, as applicable, has not received any written notice of a breach of or default with respect to a Lease, nor to the Company's Knowledge has any event or omission occurred which, with the giving of notice or the lapse of time, or both, would constitute a breach or default under a Lease.

3.8.2. Owned Premises. The Company does not own any real property. Neither the Company nor any of its Subsidiaries has sub-leased or sub-licensed, or otherwise granted to any Person, the right to use or occupy any real property.

3.9. Operations in Conformity with Laws.

3.9.1. Since March 31, 2018, the Company and each of its Subsidiaries have complied in all material respects with, are not in material violation of, and have not received any written allegation or notice of material default or violation with respect to, any Legal Requirement or Permits with respect to the conduct of its business, or the ownership or operation of its business. To the Company's Knowledge, no event has occurred, and no condition or circumstance exists, that might (with or without notice or lapse of time or both) constitute, or result directly or indirectly in, a default under, a material breach or violation of, or a failure to comply with, any Legal Requirement or Permits with respect to the conduct of the business of the Company or any of its Subsidiaries or the ownership or operation of the Company or any of its Subsidiaries. The Company and its Subsidiaries owns or possess all Permits that are necessary to conduct the business of the Company and its Subsidiaries as presently conducted and as proposed to be conducted.

3.9.2. To the Company's Knowledge, none of the Company, any of its Subsidiaries or any of their respective Representatives, or distributors while retained by the Company or any other Person acting on behalf of any such Person have, with respect to the business of the Company or any of its Subsidiaries, (a) used any funds for unlawful contributions, gifts, entertainment or other unlawful payments relating to any political activity or (b) made any unlawful payment to any government official or employee or any political party or campaign or violated any provision of the U.S. Foreign Corrupt Practices Act of 1977 or any other Legal Requirement applicable to the conduct of business with Governmental Authorities (collectively, "Anti-bribery Laws"). The Company has made available to Buyer true, correct and complete copies of each Contract in effect, if any, as of the date of this Agreement between the Company or any of its Subsidiaries, on the one hand, and any sales agent or foreign representative thereof, on the other hand.

3.9.3. Neither the Company nor any of its Subsidiaries has applied for or received, is or will be entitled to or is or will be the beneficiary of any grant, subsidy or financial assistance from any Governmental Authority.

3.9.4. The Company and each of its Subsidiaries have at all times conducted their business in all material respects in accordance with (a) all applicable U.S. export control and economic sanctions laws, including the Export Administration Regulations, the Arms Export Control Act, the International Traffic in Arms Regulations, and the various statutes, regulations, and executive orders administered by the U.S. Department of the Treasury, Office of Foreign Assets Control; and (b) to the Company's Knowledge all other applicable import/export controls, in all material respects, in other countries in which the Company conducts business.

3.9.5. Schedule 3.9.5 sets forth the true, complete and accurate export control classifications applicable to the Company's or any of its Subsidiaries' products, services, software and technologies.

3.9.6. Each Permit (i) under which the Company or any of its Subsidiaries currently operates or holds any interest in any of their assets, or (ii) that is required for the operation of the Company's or any of its Subsidiaries' businesses as presently conducted or the holding of any such interest (collectively, the "Company Authorizations") has been issued or granted to the Company or one of its Subsidiaries, as applicable. The Company Authorizations are in full force and effect and constitute all Company Authorizations required to permit the Company and each of its Subsidiaries to lawfully operate or conduct their businesses or hold any interest in their assets.

3.10. Employee Plans.

3.10.1. Schedule 3.10.1 sets forth a list of all Employee Plans. With respect to each Employee Plan, the Company has made available to Buyer true and correct copies of (i) the current official Employee Plan documents, including all amendments thereto, or, in the case of an unwritten Employee Plan, a written description thereof, and (ii) the most recent summary plan descriptions and any summaries of material modifications thereto, and the past three annual reports and associated summary annual reports.

3.10.2. Each Employee Plan that is intended to be qualified under Section 401(a) of the Code (i) has received a favorable determination or opinion letter or filed for a determination or opinion letter from the IRS to the effect that the form of such plan is so qualified or the applicable period for requesting such determination or opinion has not yet expired, and each trust created thereunder has been determined by the IRS to be exempt from Tax under the provisions of Section 501(a) of the Code and (ii) to the Company's Knowledge, nothing has occurred since the date of any such determination or prototype opinion letter that could reasonably be expected to give the IRS grounds to revoke its qualified status under Section 401(a) of the Code.

3.10.3. Each Employee Plan has been established, maintained, operated and administered in compliance in all material respects with applicable Legal Requirements. There have been no actions or omissions that would be non-exempt prohibited transactions under Section 406 of ERISA or Section 4975 of the Code or material breaches of any of the duties imposed by ERISA on "fiduciaries" (within the meaning of Section 3(21) of ERISA) with respect to the Employee Plans, which actions or omissions could reasonably be expected to result in any Liability or excise tax being imposed on the Company under applicable Legal Requirements.

3.10.4. All required contributions, assessments and premium payments on account of each Employee Plan have been timely paid by the applicable due date or accrued in accordance with GAAP.

3.10.5. With respect to each Employee Plan, there are no pending (or, to the Company's Knowledge, threatened) Actions involving the Company other than routine claims for benefits in the ordinary course of business.

3.10.6. None of the Company, any of its Subsidiaries, or any of its or their ERISA Affiliates maintain, sponsor, participate in, contribute to or have any obligation to contribute to, and at no time have such entities ever maintained, established, sponsored, participated in, contributed to or been obligated to, or otherwise have or had any Liability with respect to (i) any "defined benefit plan" (as defined in Section 3(35) of ERISA) that is subject to Title IV of ERISA, (ii) any "multiemployer plan," (as defined in Section 3(37) of ERISA) or (iii) a "multiple employer plan" within the meaning of Section 210(a) of ERISA or Section 413(c) of the Code.

3.10.7. Except as set forth on Schedule 3.10.7 or as required under Section 601 *et seq.* of ERISA or Section 4980B of the Code or any analogous state or local Legal Requirement, no Employee Plan provides benefits or coverage following retirement or other termination of employment. With respect to each Employee Plan that is subject to Section 4980B of the Code, the Company and its Subsidiaries have complied in all material respects with the continuation coverage requirements of Section 4980B of the Code and Part 6 of Subtitle B of Title I of ERISA. No Employee Plan that provides health insurance or medical coverage is self-funded or self-insured.

3.10.8. Except as set forth on Schedule 3.10.8, the consummation of the Contemplated Transactions will not, either alone or in combination with another event (such as termination of employment), (a) result in any payment becoming due under any Employee Plan, (b) accelerate the time of payment, funding or vesting of any benefits under any Employee Plan, (c) increase the amount of compensation or benefits due under any Employee Plan, or (d) result in the forgiveness in whole or in part of, or accelerate the repayment date of, any outstanding loans that exist under or as part of any Employee Plan.

3.10.9. Neither the Company, nor any of its Subsidiaries, maintains an Employee Plan that is a nonqualified deferred compensation plan (within the meaning of Section 409A(d)(1) of the Code).

3.11. Intellectual Property.

3.11.1. Schedule 3.11.1 (i) sets forth each granted patent, pending patent application, copyright registration or application therefor, and trademark, service mark and domain name registration or application therefor owned by or purported to be owned by the Company or any of its Subsidiaries ("Company Registered IP") and any actions that must be taken within one hundred eighty (180) days after the date hereof for the purposes of obtaining, maintaining, perfecting, preserving or renewing any of the foregoing, including the payment of any registration, maintenance or renewal fees or the filing of documents, applications or certificates or any responses to office actions. The Company or any of its Subsidiaries is the owner of the Company Registered IP free and clear of all Liens (other than Permitted Liens). Each of the Company Registered IP is valid, enforceable and subsisting, all necessary registration, maintenance and renewal fees currently due in connection with such Company Registered IP have been made and all necessary documents, recordations and certificates in connection with such Company Registered IP have been filed with the relevant Governmental Authority. Schedule 3.11.1(ii) sets forth an accurate and complete list of all material Intellectual Property owned or purported to be owned by the Company or any of its Subsidiaries that is not Company Registered IP. The Company or any of its Subsidiaries has not received any written notice challenging the legality, validity, enforceability or ownership of any Intellectual Property owned or purported to be owned by the Company or any of its Subsidiaries.

3.11.2. The Company or its Subsidiaries exclusively and solely owns, free of any Liens other than non-exclusive licenses entered into in the ordinary course of business, or has the right to use all Intellectual Property necessary (i) to use, manufacture, sell, offer for sale, import, supply, perform, reproduce, display, market and distribute the Customer Deliverables and (ii) to use, make, perform, reproduce and operate the Internal Systems. The Company and its Subsidiaries have taken reasonable measures to protect the proprietary nature of each item of Company Intellectual Property, and to maintain in confidence all trade secrets and confidential information, that it owns or uses. To the Company's Knowledge, no other person or entity has any rights to any of the Company Intellectual Property owned by or purported to be owned by the Company or any of its Subsidiaries (except pursuant to agreements or licenses additionally specified in Schedule 3.11.2), and, to the Company's Knowledge, no other person or entity is infringing, violating or misappropriating any of the Company Intellectual Property.

3.11.3. To the Company's Knowledge, the operation by the Company and its Subsidiaries of their business as currently conducted, including the design, development, use, import, export, manufacture, licensing, sale, offering for sale, supply or other disposition of the Customer Deliverables and/or the Internal Systems does not (i) infringe, violate or misappropriate the Intellectual Property rights of any Person, or (ii) constitute unfair competition or trade practices under applicable laws. Schedule 3.11.3 additionally lists any unresolved complaint, claim or notice, or written threat thereof, received by the Company or any of its Subsidiaries alleging any such infringement, violation or misappropriation; and the Company or any of its Subsidiaries have made available to Buyer complete and accurate copies of all written documentation in the possession of the Company or any of its Subsidiaries relating to any such unresolved complaint, claim, notice or threat. The Company and its Subsidiaries have made available to Buyer complete and accurate copies of all written documentation in the Company's possession relating to current, unresolved claims or disputes known to the Company or any of its Subsidiaries concerning any Company Intellectual Property. To the Company's Knowledge, no third party has threatened any Action or claim against the Company or any of its Subsidiaries for the infringement, violation or misappropriation of any Intellectual Property.

3.11.4. Except as described in Schedule 3.11.4, neither the Company nor any of its Subsidiaries has agreed to indemnify any person or entity against any infringement, violation or misappropriation of any Intellectual Property.

3.11.5. Schedule 3.11.5 identifies each item of Company Intellectual Property that is licensed by the Company or one of its Subsidiaries from a third party, and the respective license agreement pursuant to which the Company or any of its Subsidiaries uses such item (excluding off-the-shelf software programs licensed by the Company or one of its Subsidiaries pursuant to "shrink wrap" or "click through" licenses).

3.11.6. Neither the Company nor any of its Subsidiaries has disclosed the source code for any software developed by it, or other confidential information constituting, embodied in or pertaining to such software, to any person or entity, except pursuant to the agreements listed in Schedule 3.11.6, and the Company or its Subsidiaries have taken reasonable measures to prevent disclosure of such source code.

3.11.7. All of the Intellectual Property incorporated in the Customer Deliverables have been created by employees or agents of the Company or its Subsidiaries within the scope of their employment or engagement by the Company and its Subsidiaries or by independent contractors of the Company or its Subsidiaries. Each Worker who has created Intellectual Property within the scope of his or her employment or engagement by the Company and its Subsidiaries has executed written, valid and enforceable agreements expressly assigning to the Company or its Subsidiaries all right, title and interest in and to any Intellectual Property conceived of, created, developed or first reduced to practice in the course of such Worker's employment by or engagement with the Company or one of its Subsidiaries. No portion of such Intellectual Property was jointly developed with any third party, except to the extent all right, title and interest in and to such Intellectual Property held by such third party as a result of such joint development has been assigned to the Company or its Subsidiaries. The Company and its Subsidiaries have paid, in full, all required compensation to employees, agents or independent contractors in relation to all Intellectual Property owned or purported to be owned by the Company and its Subsidiaries.

3.11.8. Except as set forth in Schedule 3.11.8, neither the Company nor any of its Subsidiaries has (i) incorporated any Open Source Materials into, or combined Open Source Materials with, any Customer Deliverables and/or Internal Systems, (ii) distributed Open Source Materials in connection with any Customer Deliverables and/or Internal Systems, or (iii) used Open Source Materials in any manner that (A) creates, or purports to create, obligations for the Company or any of its Subsidiaries with respect to software developed or distributed by the Company or any of its Subsidiaries or (B) grants, or purports to grant, to any third party any rights or immunities under intellectual property rights. Without limiting the generality of the foregoing, neither the Company nor any of its Subsidiaries has used any Open Source Materials that require, as a condition of use, modification and/or distribution of such Open Source Materials, that other software incorporated into, derived from or distributed with such Open Source Materials be (1) disclosed or distributed in source code form, (2) licensed for the purpose of making derivative works, or (3) redistributable at no charge.

3.11.9. To the Company's Knowledge, neither the Company nor any of its Subsidiaries is subject to any agreement with any standards body or other similar entity that would obligate the Company or any of its Subsidiaries to grant licenses or rights to or otherwise impair its control, enforcement or use of any Intellectual Property owned or purported to be owned by the Company or any of its Subsidiaries.

3.11.10. To the Company's Knowledge, there is no Governmental Order or other prohibition or restriction, issued by a Governmental Entity, on the use, practice or exploitation of any Customer Deliverables or the Internal Systems in any jurisdiction in which the Company or any of its Subsidiaries currently conducts business.

3.11.11. No Governmental Entity, university, or other similar educational institution has provided or provides facilities or funding for the creation or development of any Intellectual Property owned or purported to be owned by the Company or any of its Subsidiaries. No Governmental Entity, university, or other similar educational institution have any rights in or with respect to any Intellectual Property owned or purported to be owned by the Company or any of its Subsidiaries.

3.12. Environmental Matters. Except as set forth on Schedule 3.12 or as would not reasonably be expected to cause a Material Adverse Effect to the Company, taken as a whole, (a) the Company is in compliance with all applicable Environmental Laws, (b) the Company has all Permits required under applicable Environmental Laws and is in compliance with the respective requirements of such Permits, (c) there is not now pending or, to the Company's Knowledge, threatened, any Action against the Company in connection with any past or present noncompliance with such Environmental Laws and (d) to the Company's Knowledge, there have been no releases of Hazardous Substances on or from any real property currently leased or operated by the Company or, to the Company's Knowledge, on or from any real property formerly owned, leased or operated by the Company, for which release the Company reasonably could be expected to incur liability under applicable Environmental Laws. Notwithstanding any other provisions in this Agreement, the representations and warranties included in this Section 3.12 are the only representations and warranties made by the Company with respect to environmental matters, including any and all matters with respect to Environmental Laws and Hazardous Substances.

3.13. Material Contracts.

3.13.1. Schedule 3.13.1 sets forth a list of all material Contracts to which the Company is a party or by which it is bound ("Material Contracts") as of the date hereof, including without limitation:

(a) any Contract which requires future expenditures by the Company in excess of $50,000 or which might result in payments to the Company in excess of $50,000;

(b) any distributor, sales representative or similar Contract that requires future expenditures by the Company in excess of $25,000 or that reasonably would be expected to result in payments to the Company in excess of $25,000

(c) any Contract with any current or former stockholder, officer or director of the Company, or any "Affiliate" or "associate" of such persons (as such terms are defined in the rules and regulations promulgated under the Securities Act), including without limitation any Contract or other arrangement providing for the furnishing of services by, rental of real or personal property from, or otherwise requiring payments to, any such person or entity;

(d) any Contract for the disposition of any portion of the Company's assets (other than for the sale of Customer Deliverables in the ordinary course of business);

(e) all Contracts (other than purchase orders entered into in the ordinary course of business) for the purchase of inventory, raw materials, supplies, goods, products or equipment, in each case which provides for aggregate payments to or by the Company in excess of $50,000;

(f) all Contracts relating to equipment providing for aggregate rental payments in excess of $50,000;

(g) all Contracts or binding options to sell or lease (as lessor) any property or asset of the Company;

(h) any Contract in accordance with which the Company is a lessor or lessee of any real property (the "Leases");

(i) all Contracts (including Contracts with customers) that require individual or aggregate payments to the Company of more than $25,000 in any calendar year for Customer Deliverables;

(j) all Contracts between the Company and any of its Subsidiaries;

(k) all Contracts pursuant to which the Company has an existing obligation to pay any amounts in respect of indemnification obligations, purchase price adjustment, or otherwise, in connection with any merger, consolidation or other business combination or any acquisition or disposition of a business;

(l) any commission, sales or agency Contract with any current Worker;

(m) any Contract relating to Indebtedness, whether incurred, assumed, guaranteed or secured by any asset, and any guaranty of any obligation for Indebtedness or other material guaranty;

(n) all partnership, joint marketing, joint development or joint venture Contract to which the Company is a party;

(o) any Contract for the acquisition of the business or securities or other ownership interests of another party;

(p) any Contract under which the Company or any of its Subsidiaries is restricted from carrying on any business anywhere in the world or that would, upon consummation of the Contemplated Transactions, restrict Buyer or any of its Affiliates from competing with any third party or from engaging in any line of business;

(q) any indemnification or other similar Contract pursuant to which the Company or any of its Subsidiaries is obligated to indemnify or advance expenses on behalf of any current or former director, manager or officer of the Company in connection with any loss based on the fact that such Person is or was a director, manager or officer of the Company;

(r) any warranty or maintenance contract under which the Company or any of its Subsidiaries is obligated to provide services at a price fixed before performance of such services, for which the fully burdened cost of complete performance by the Company or such Subsidiary currently exceeds or is reasonably expected by the Company to exceed such price;

(s) any hedging, futures, options or other derivative contract;

(t) any agreement with any supplier of software, technology, hardware, components or services related to any Customer Deliverables or Internal Systems;

(u) other than leases of real property, any Contract that grants any third party a right of first refusal, first offer or similar right as to real property owned by the Company;

(v) any Contract that contains any "most-favored nation" or other exclusive rights of any type or scope in any line or lines of business;

(w) any Contract pursuant to which any Person has licensed any Intellectual Property to the Company or any of its Subsidiaries, excluding any off-the-shelf commercially available software licenses, or pursuant to which any Person or granted to the Company or any of its Subsidiaries any covenant not to sue or right with respect to such Intellectual Property;

(x) any Contract pursuant to which Intellectual Property owned or purported to be owned by the Company is licensed by the Company or any of its Subsidiaries to any Person or pursuant to which the Company or any of its Subsidiaries grants to any Person any covenant not to sue or right with respect to any such Intellectual Property;

(y) any Contract pursuant to which Intellectual Property developed in connection with such agreement is jointly owned by Company and any third party;

(z) any Contract under which the Company's or any of its Subsidiaries' entrance into this Agreement or the consummation of the Contemplated Transactions would give rise to, or trigger the application of, any rights of any third party or any obligations of the Company or any of its Subsidiaries that would come into effect upon the consummation of the Contemplated Transactions;

(aa) any Contract that results in any person holding a power of attorney from the Company or any of its Subsidiaries; and

(bb) any Contract with any investment banker, broker, advisor or similar party, or any accountant, legal counsel or other party retained by the Company or any of its Subsidiaries, in connection with this Agreement or the Contemplated Transactions

3.13.2. The Company has made available to the Buyer an accurate and complete copy of each Material Contract. All of such Contracts are valid, binding against the Company or one of its Subsidiaries, as applicable, and in full force and effect. Except as set forth on Schedule 3.13.2 hereto, (a) the Company and its Subsidiaries are not, and, to the Company's Knowledge, no other party is in material default under, or in material breach or violation of, any Material Contract, and (b) to the Company's Knowledge no event has occurred on or prior to the date hereof (with or without notice, lapse of time or both) that would constitute a material default by the Company or any of its Subsidiaries under any Material Contract.

3.14. Government Contracts. The Company and its Subsidiaries have no Government Contracts.

3.15. Transactions with Affiliates. Except as set forth on Schedule 3.15, no Affiliate, officer, manager or director (or the equivalent) of the Company or any of its Subsidiaries (nor any immediate family member of such Persons or any trust, partnership or company in which any of such Persons has or has had an interest) has or has had, directly or indirectly, other than with respect to the payment of compensation to officers, managers and directors (or the equivalent) in the ordinary course of business, (a) any interest in any third party which furnished or sold, or furnishes or sells, services, products or technology that the Company or any of its Subsidiaries furnishes or sells, or proposes to furnish or sell, (b) any interest in any third party that purchases from or sells or furnishes to the Company or any of its Subsidiaries any goods or services or (c) any interest in any contract to which the Company or any of its Subsidiaries is a party, except that ownership of no more than one percent of the outstanding voting stock of a publicly traded company shall not be deemed to be an "interest in any third party" for purposes of this Section 3.15.

3.16. Litigation. Except as set forth on Schedule 3.16, there is no Action pending or, to the Company's Knowledge, threatened against the Company or any of its Subsidiaries, or any of their respective assets or property, including any Company Intellectual Property, or any of their respective officers, managers or directors in their capacities as such. No Governmental Order (other than Governmental Orders of general applicability) is outstanding against the Company or any of its Subsidiaries, any of their respective assets or properties, or any of the Company's or its Subsidiaries' officers, managers or directors in their respective capacities as such. The Company has not received written notice of any Action pending, and to the Company's Knowledge, there is no Action pending or threatened against any officer or director of the Company who has a contractual right or a right pursuant to the Organizational Documents or other Legal Requirement to indemnification from the Company related to any Basis existing prior to the Closing Date. There is no Action pending or, to the Company's Knowledge, threatened based on a claim of breach of fiduciary duty by the Company's directors or officers arising out of actions taken by the Company's managers, directors or officers prior to the Closing Date. There is no Action by the Company or any of its Subsidiaries pending, threatened or contemplated against any other Person.

3.17. Insurance. Schedule 3.17 sets forth a true, complete and correct list of all policies and indemnity bonds maintained by the Company and its Subsidiaries for their benefit and includes the types of policies, insurers, forms of coverage, policy numbers, coverage dates, annual premiums, and limits of liability as of the date hereof. True and complete copies of each listed policy have been made available to the Buyer. All such policies are in full force and effect and shall remain in full force and effect. There is no material claim, notice of circumstance, refusal of any coverage, limitation in coverage or rejection of any material claim, insurance carrier litigation or dispute pending in connection with any of such policies or bonds. To the Company's Knowledge, there is no threatened termination or invalidation of, or material premium increase with respect to, any of such policies or bonds. Schedule 3.17 sets forth an accurate and complete list of all open claims filed by the Company or any of its Subsidiaries under any such policies or bonds. Neither the Company nor any of its Subsidiaries is in default with respect to its obligations under any such insurance policy.

3.18. Labor Matters.

3.18.1. Neither the Company nor any of its Subsidiaries has experienced any strike, walkout, lockout, work stoppage, or similar labor dispute, and, to the Company's Knowledge, no such activities have been threatened, (b) to the Company's Knowledge, neither the Company nor any of its Subsidiaries is subject to any labor grievance or any unfair labor practice charge or complaint, and no such grievance, charge or complaint has been filed against the Company or any of its Subsidiaries, (c) to the Company's Knowledge, no union organizing activities are underway or threatened with respect to Workers and no such activities have occurred, and (d) no collective bargaining agreements are in effect with respect to Workers or are currently being negotiated by the Company or its Subsidiaries. Neither the Company nor any of its Subsidiaries is a party to any collective bargaining agreement or any other labor-related agreement with any labor union, labor organization, or works council. As of the date of this Agreement, (i) no such agreement is presently being negotiated, (ii) no labor union, labor organization, or works council has made a pending demand for recognition or certification, and (iii) to the Company's Knowledge, there are no representation or certification proceedings or petitions seeking a representation proceeding presently pending or threatened in writing to be brought or filed with the National Labor Relations Board or any other labor relations tribunal or authority. Neither the Company nor any of its Subsidiaries has any material duty to bargain with any labor organization or works council. To the Company's Knowledge, there is no labor dispute, strike or work stoppage against the Company or any of its Subsidiaries pending now, that has occurred in the past, or is now threatened that would reasonably be expected to interfere with the business activities of the Company or any of its Subsidiaries. Except as set forth in Schedule 3.18.1, to the Company's Knowledge, the Company and its Subsidiaries are, and at all times have been, in compliance in all material respects with all Legal Requirements governing the employment of labor, including Legal Requirements relating to employment practices, wages, compensation, benefits, the payment of social security and other state and federal Taxes, hours, classification of employees and independent contractors, affirmative action, collective bargaining, discrimination, harassment, retaliation, civil rights, terms and conditions of employment, immigration, safety and health, workers' compensation, plant closings, and termination of service ("Employment Practices"), including the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, ERISA, the Fair Labor Standards Act (29 U.S.C. 201, et seq.), the Americans with Disabilities Act, the Occupational Safety and Health Act, the Family Medical and Leave Act (29 U.S.C. 2601, et seq.), the National Labor Relations Act of 1935, The Worker Adjustment and Retraining Notification Act (29 U.S.C. § 2101), Executive Order 11246 and any other executive orders or regulations governing affirmative action, EEO and VETS-100 reporting obligations, and the Immigration Nationality Act (8 U.S.C. 1324a, et seq.) and other applicable Legal Requirements of the jurisdictions in which the Company or any of its Subsidiaries is qualified or do business. To the Company's Knowledge, all current employees of the Company and its Subsidiaries who work in the United States are, and all former employees of the Company or any of its Subsidiaries who worked in the United States whose employment terminated, voluntarily or involuntarily, were, legally authorized to work in the United States. To the Company's Knowledge, the Company has completed and retained the necessary employment verification paperwork under the Immigration Reform and Control Act of 1986 ("IRCA") for the employees hired prior to the Closing Date. To the Company's Knowledge, the Company is and has been in material compliance with both the employment verification provisions (including the paperwork and documentation requirements) and the anti-discrimination provisions of IRCA.

3.18.2. Neither the Company nor any of its Subsidiaries has any accrued but unpaid Liabilities relating to current or former Workers other than for compensation or other employee benefits that has accrued since the last payroll pay date. To the Company's Knowledge, there are no material claims, disputes, grievances, audits or controversies pending against the Company or any of its Subsidiaries or threatened or reasonably anticipated against the Company or any of its Subsidiaries involving any Worker. Neither the Company nor any of its Subsidiaries is a party to a conciliation agreement, consent decree or other agreement or order with any foreign, federal, state or local agency of any Governmental Authority with respect to any Employment Practices. To the Company's Knowledge, there are no charges, Actions or formal complaints relating to any Employment Practices threatened or pending before the Equal Employment Opportunity Commission, the National Labor Relations Board, the U.S. Department of Labor, the U.S. Occupational Health and Safety Administration, the Workers' Compensation Appeals Board, or any other Governmental Entity against the Company or any of its Subsidiaries pertaining to any Worker. No current or former Worker has filed a complaint or claim with the Company or any of its Subsidiaries with respect to Employment Practices. To the Company's Knowledge, no current or former Worker has been involved in an accident in the course of his or her service with the Company or any of its Subsidiaries that would have caused other than minor injury, nor has any such Person been exposed to material occupational health hazards in the service of the Company or any of its Subsidiaries.

3.18.3. Schedule 3.18.3 sets forth a true, correct and complete list of the names (or, if required under privacy Legal Requirements, employee identification number), of all Workers, showing each such Worker's current (i) position, (ii) status as full-time or part-time, (iii) if an employee, his or her status as exempt or non-exempt (to the extent applicable under Legal Requirements), (iv) date of commencement of service, (v) rate of cash compensation, (vi) any other unvested bonuses, (vii) material fringe benefits, (viii) primary work location and the status of any required visa or work permit, (ix) accrued but unpaid vacation, sick leave or other paid time off, (x) accrued but unpaid bonuses, (xi) severance or termination payment rights payable in excess of that required by applicable Legal Requirements, (xii) whether such Worker is on a leave of absence or given written notice of the need for a leave of absence, (xiii) whether such person is on a performance improvement plan, (xiv) employer and (xv) Worker classification as exempt or non-exempt.

3.18.4. To the Company's Knowledge, no Worker is in violation of any employment contract, non-disclosure, confidentiality agreement, or consulting agreement with the Company or any of its Subsidiaries. To the Company's Knowledge, no Worker is in violation of any non-competition agreement, non-solicitation agreement or restrictive covenant with a former employer or service recipient relating to the right of any such Worker to be employed by or provide services to the Company or any of its Subsidiaries because of the nature of the business conducted or presently proposed to be conducted by it or to the use of trade secrets or proprietary information of others.

3.18.5. Schedule 3.18.5 lists all employee manuals and handbooks, policy statements and agreements relating any Workers as of the date of this Agreement, and the Company has delivered to Buyer accurate and complete copies of the same.

3.19. Brokers. There are no brokerage commissions, finders' fees or similar compensation payable in connection with the Contemplated Transactions based on any arrangement or agreement made by or on behalf of the Sellers or the Company other than fees (if any) that will (a) be paid as contemplated by Section 2.4.1(c) or (b) otherwise be paid by the Sellers and their respective Affiliates and for which the Buyer and (after the Closing) the Company will have no responsibility to pay.

3.20. Customers and Suppliers. Schedule 3.20 sets forth a list of the ten (10) largest customers of the Company (measured by aggregate revenue) and five (5) largest suppliers of the Company (measured by aggregate payments) for the twelve (12) month period ending on the Reference Balance Sheet Date. Since the Reference Balance Sheet Date, no customer or supplier listed on Schedule 3.20 has provided written notice that it intends to cease doing business with or materially decrease the amount of business done with the Company or materially alter the terms upon which it is willing to do business with the Company.

3.21. Regulatory Matters.

3.21.1. The studies, tests, preclinical development and clinical trials, if any, conducted by or on behalf of the Company are being conducted in all material respects in accordance with experimental protocols, procedures and controls pursuant to accepted professional and scientific standards for products or product candidates comparable to those being developed by the Company and all applicable laws and regulations, including the Federal Food, Drug, and Cosmetic Act. The Company has not received any notices or correspondence from the U.S. Food and Drug Administration ("FDA") or any other governmental entity or any institutional review board or comparable authority requiring the termination, suspension or material modification of any studies, tests, preclinical development or clinical trials conducted by or on behalf of the Company.

3.21.2. The Company possesses all permits, licenses, registrations, certificates, authorizations, orders and approvals from the appropriate federal, state or foreign regulatory authorities necessary to conduct its business as now conducted, including all such permits, licenses, registrations, certificates, authorizations, orders and approvals required by the FDA. The Company has not received any notice of proceedings relating to the suspension, modification, revocation or cancellation of any such permit, license, registration, certificate, authorization, order or approval. Neither the Company nor, to the Company's Knowledge, any officer, employee or agent of the Company has been convicted of any crime or engaged in any conduct that has previously caused or would reasonably be expected to result in (A) disqualification or debarment by the FDA under 21 U.S.C. Sections 335(a) or (b), or any similar law, rule or regulation of any other governmental entities, (B) debarment, suspension, or exclusion under any federal healthcare programs or by the General Services Administration, or (C) exclusion under 42 U.S.C. Section 1320a-7 or any similar law, rule or regulation of any governmental entities. Neither the Company nor any of its officers, employees, or, to the Company's Knowledge, any of its contractors or agents is the subject of any pending or threatened investigation by FDA pursuant to its "Fraud, Untrue Statements of Material Facts, Bribery, and Illegal Gratuities" policy as stated at 56 Fed. Reg. 46191 (September 10, 1991) (the "FDA Application Integrity Policy") and any amendments thereto, or by any other similar governmental entity pursuant to any similar policy. Neither the Company nor any of its officers, employees, contractors, and agents has committed any act, made any statement or failed to make any statement that would reasonably be expected to provide a basis for FDA to invoke the FDA Application Integrity Policy or for any similar governmental entity to invoke a similar policy. Neither the Company nor any of its officers, employees, or to the Company's Knowledge, any of its contractors or agents has made any materially false statements on, or material omissions from, any notifications, applications, approvals, reports and other submissions to FDA or any similar governmental entity.

3.21.3. The Company is and has been in compliance with all applicable laws administered or issued by the FDA or any similar governmental entity.

3.21.4. The Company has not classified the items that it produces, designs, tests, manufactures, fabricates, or develops for purposes of U.S. export controls (including hardware, software, technology). The Company does not produce, design, test, manufacture, fabricate, or develop any items that are controlled for export under the Export Administration Regulations, 15 CFR Parts 730-744. The Company does not produce, design, test, manufacture, fabricate, or develop any defense articles, technical data, or services subject to the International Traffic in Arms Regulations, 22 CFR Parts 120-130 ("ITAR"). The Company is not registered under the ITAR with the U.S. Department of State's Directorate of Defense Trade Controls. The Company does not have a facility clearance to do classified work for the U.S. Government. The Company does not maintain or collect any "sensitive personal data" as that term is used within the context of 31 CFR § 800.248.

3.22. Minutes. The minutes of the meetings of the board of directors or managers and any committee thereof of the Company and the Company's Subsidiaries, to the extent such minutes of meetings were memorialized, have been made available to the Buyer.

3.23. Data Privacy. In connection with its collection, storage, use and/or disclosure of any information that constitutes "personal information," "personal data" or "personally identifiable information" as defined in applicable laws (collectively "Personal Information") by or on behalf of the Company, the Company is and has been, to the Company's Knowledge, in compliance in all material respects with (i) all applicable laws (including, without limitation, the Health Insurance Portability and Accountability Act of 1996, as amended, and laws relating to privacy, data security, telephone and text message communications, and marketing by email or other channels) in all relevant jurisdictions, (ii) the Company's privacy policies, by which the Company is bound; and (iii) any contractual obligations with its customers. The Company maintains and has maintained reasonable physical, technical, and administrative security measures and policies designed to protect all Personal Information owned, stored, used, maintained or controlled by or on behalf of the Company from and against unlawful, accidental or unauthorized access, destruction, loss, use, modification and/or disclosure. The Company is and has been, to the Company's Knowledge, in compliance in all material respects with all laws relating to data loss, theft and breach of security notification obligations. To the Company's Knowledge, there has been no (i) loss, damage, or unauthorized access, use, transmission, modification, or other misuse of any such information by the Company or any of its Subsidiaries or any of its Workers; or (ii) unauthorized access to any databases, computers, storage media (e.g., backup tapes), network devices, or other devices that process or store personal information, whether hosted or operated by the Company or any of its Subsidiaries or any other Person on the Company's or its Subsidiaries' behalf. The Company has received no written notice that any Person (including any Governmental Authority) has made any claim or commenced any Action, and to the Company's Knowledge no person has made any claim or commenced any Action, against the Company with respect to any alleged loss, damage, or unauthorized access, use, modification, or other misuse of any such personal information by the Company or its Subsidiaries or any Worker.

3.24. No Other Representations or Warranties. Except for the representations and warranties expressly set forth in this Agreement (including the related portions of the Disclosure Schedules), none of the Company, Yuz, or any other Seller makes any representation or warranty of any kind whatsoever, express or implied, to Buyer, and each of the Company, Yuz, and each other Seller hereby disclaims any such representation or warranty, and notwithstanding the delivery or disclosures to Buyer, or any of its representatives or Affiliates of any documentation or other information with respect to any one or more of the foregoing. None of the Company, Yuz, or any other Seller makes any representation or warranty with respect to any projections, forecasts or other estimates, plans or budgets of future revenues, expenses or expenditures, future results of operations (or any component thereof), future cash flows (or any component thereof) or future financial condition (or any component thereof) of the Company or of the future business, operations or affairs of the Company, notwithstanding the delivery or disclosures to Buyer, or any of its representatives or Affiliates of any documentation or other information with respect to any one or more of the foregoing.

4. Representations and Warranties of the Sellers.

Except as provided in the Disclosure Schedules (subject to Section 11.15), each Seller, severally and not jointly, and solely in respect of such Seller and not in respect of any other Seller, represents and warrants to the Buyer as of the date hereof and the Closing Date as follows:

4.1. Organization, Power and Standing. Such Seller, if a legal entity, is duly organized, validly existing and in good standing under the laws of the state or country of its formation. Such Seller (or its trustee or trustees have) has the power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the Contemplated Transactions.

4.2. Authorization; Enforceability. If such Seller is not a natural person or a trust, the execution, delivery and performance by such Seller of this Agreement and any agreement related to the Contemplated Transactions to which such Seller is a party have been duly authorized by all requisite corporate or comparable organizational action on the part of such Seller, and no other proceedings or actions on the part of such Seller are necessary to authorize the execution, delivery and performance by such Seller of this Agreement, any other agreement to which such Seller is a party related to the Contemplated Transactions, and the consummation of the Contemplated Transactions. If such Seller is a trust, (a) such Seller is a trust duly created under the Legal Requirements of the jurisdiction of its formation and is being validly administered under all applicable Legal Requirements and (b) the trustee or trustees of such Seller are validly appointed as the trustee, trustees, successor trustee or successor trustees of such Seller and each of them is validly qualified and competent to act in capacity and is lawfully so acting. This Agreement and any other agreement to which such Seller is a party related to the Contemplated Transactions, which have been duly executed and delivered by such Seller, and, assuming due authorization, execution and delivery by the other parties hereto and thereto, represent the legal, valid and binding obligation of such Seller, enforceable against such Seller in accordance with their respective terms, subject to the effect of (x) applicable bankruptcy, insolvency, reorganization, moratorium and other similar Legal Requirement now and hereafter in effect relating to the rights of creditors generally and (y) rules of law and equity governing specific performance, injunctive relief and other equitable remedies. No further authorizing action on the part of such Seller is or will be required in connection with the consummation of the Contemplated Transactions.

4.3. Noncontravention.

(a) The execution and delivery by such Seller of this Agreement, any other agreement that such Seller is a party related to the Contemplated Transactions, and the performance by such Seller of its obligations hereunder and thereunder and the consummation of the Contemplated Transactions by such Seller will not, (i) if such Seller is not a natural person, conflict with, or result in a violation of or default under (with or without notice, lapse of time, or both), the memorandum or articles of association or incorporation, bylaws, partnership agreement, shareholders agreement, declaration of trust or equivalent constitutional or authorizing documents of such Seller, (ii)(A) conflict with, (B) result in a violation of or default under (with or without notice, lapse of time or both), (C) give rise to a right of termination, cancellation, renegotiation or acceleration of any obligation or loss of any benefit under or (D) require any consent, approval or waiver from any Person in accordance with the terms of any Contract or Permit of such Seller or pursuant to any Legal Requirement applicable to such Seller, or (iii) result in the creation or imposition of any Lien with respect to, or otherwise have an adverse effect upon, the Shares owned of record by such Seller or the ability of such Seller to consummate the Contemplated Transactions.

(b) No Governmental Order, Permit or filing with or declaration or notification to, any Governmental Authority is required by or with respect to such Seller in connection with the execution, delivery and performance of this Agreement or any agreement related to the Contemplated Transactions by the Sellers or the consummation of the Contemplated Transactions.

4.4. Ownership of Shares.

(a) In respect of the Stockholders (and not the Accredited Optionholders or Warrantholders) only:

4.4.1. Such Stockholder is the sole registered legal owner of the number of the Shares opposite such Stockholder's name set forth on Schedule 4.4.

4.4.2. Except pursuant to this Agreement, such Shares are not subject to any Liens (other than Liens pursuant to the Company's Organizational Documents and applicable securities laws), and such Stockholder has not granted any rights to purchase, and has no obligation to transfer the full legal and beneficial ownership of such Shares free from all Liens (other than Liens pursuant to the Company's Organizational Documents and applicable securities laws) to Buyer.

4.4.3. Such Shares, together with any Accredited Options or Warrants set forth on Schedule 4.4, constitute all of the interest in the equity of the Company owned, beneficially or of record, by such Stockholder, and except as set forth in Schedule 4.4, such Stockholder has no other rights to acquire interest in the equity of the Company.

4.4.4. Upon the Closing, Buyer will own such Shares free and clear of all Liens other than those arising hereunder (other than Liens pursuant to the Company's Organizational Documents, applicable securities laws, or Liens imposed by or permitted with respect to third parties by Buyer).

(b) In respect of the Accredited Optionholders (and not the Stockholders or Warrantholders) only:

4.4.1. Such Accredited Optionholder is the sole registered legal owner of the number of Accredited Options opposite such Accredited Optionholder's name set forth on Schedule 4.4.

4.4.2. Such Accredited Options, together with any Shares or Warrants set forth on Schedule 4.4, constitute all of the interest in the equity of the Company owned, beneficially or of record, by such Accredited Optionholder, and except as set forth in Schedule 4.4, such Accredited Optionholder has no other rights to acquire interest in the equity of the Company.

(c) In respect of the Warrantholders (and not the Stockholders or Accredited Optionholders) only, such Warrantholder is the sole registered legal owner of the number of Warrants opposite such Warrantholder's name set forth on Schedule 4.4.

4.5. Tax and Legal Matters. Such Seller acknowledges and agrees that such Seller had the opportunity to seek and was not prevented by the Buyer, the Seller Representative or any other Seller from seeking independent legal and Tax advice before such Seller's execution and delivery of this Agreement, and, if such Seller did not avail himself or itself of that opportunity before signing this Agreement, that such Seller did so voluntarily without any undue pressure and agrees that such failure to obtain independent legal or Tax advice will not be used by such Seller as a defense to the enforcement of such Seller's obligations under this Agreement. Such Seller understands that he or it must rely solely on his or its own advisors and not on any statements or representations by the other Sellers, the Seller Representative, the Buyer or any of their agents or attorneys, except for the representations and warranties of the Buyer in Article 4. Such Seller understands that such Seller (and not the Buyer or the Seller Representative) will be responsible for such Seller's legal or Tax Liability that may arise as a result of the sale of such Seller's Shares hereunder.

4.6. Absence of Litigation. Such Seller is not subject to any pending or, to the knowledge of such Seller, threatened Action that would prevent such Seller from (a) executing and delivering this Agreement or (b) performing such Seller's obligations pursuant to, or observing any of the terms and provisions of, this Agreement.

4.7. Stock Consideration.

(a) The Stock Consideration to be acquired by the Seller will be acquired for investment for the Seller's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, and that the Seller has no present intention of selling, granting any participation in, or otherwise distributing the same. Seller does not presently have any contract, undertaking, agreement or arrangement with any Person to sell, transfer or grant participations to such Person or to any third Person, with respect to any of the Stock Consideration.

(b) The Seller understands that the Stock Consideration has not been, and will not be as of the Closing, registered under the Securities Act, by reason of a specific exemption from the registration provisions of the Securities Act which depends upon, among other things, the bona fide nature of the investment intent and the accuracy of the Seller's representations as expressed herein. The Seller understands that the Stock Consideration is "restricted securities" under applicable U.S. federal and state securities laws and that, pursuant to these laws, the Seller must hold the Stock Consideration indefinitely unless they are registered with the Securities and Exchange Commission and qualified by state authorities, or an exemption from such registration and qualification requirements is available. The Seller acknowledges that the Company has no obligation to register the Stock Consideration for resale. The Seller further acknowledges that if an exemption from registration or qualification is available, it may be conditioned on various requirements including, but not limited to, the time and manner of sale, the holding period for the Stock Consideration, and on requirements relating to the Company which are outside of the Seller's control.

(c) Except as provided in Schedule 4.7, the Seller is an accredited investor as defined in Rule 501(a) of Regulation D promulgated under the Securities Act.

(d) The Seller understands that the Stock Consideration may be notated with one or all of the following legends:

"THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH TRANSFER MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL IN A FORM SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933."

Plus, any legend required by the securities laws of any state to the extent such laws are applicable to the Stock Consideration represented by the certificate, instrument, or book entry so legended.

5. Representations and Warranties of the Buyer and Parent.

Each of the Buyer and the Parent represents and warrants to the Sellers and the Company as of the date hereof and the Closing Date as follows:

5.1. Organization. (a) The Parent is a private company, duly organized and validly existing under the Laws of the State of Israel and is not a "defaulting company" as defined under the ICL, (b) the Buyer is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and (c) each of the Buyer and the Parent is duly qualified or licensed to do business and is in good standing in each jurisdiction where the character of the properties owned, leased or licensed by it or the nature of its business makes such qualification, licensing or good standing necessary, except where the failure to be so qualified or licensed or in good standing has not had, and would not reasonably be expected to materially impair or delay the Buyer's ability to consummate the Contemplated Transactions. The Buyer is a wholly owned subsidiary of the Parent.

5.2. Authorization. Each of Buyer and the Parent has the corporate power and authority to execute and deliver this Agreement, the Escrow Agreement and the instruments required to be executed and delivered by it pursuant hereto, to perform its obligations hereunder, to issue the Stock Consideration, and to consummate the Contemplated Transactions. Each of Buyer and the Parent has taken all corporate actions or proceedings required to be taken by or on the part of the Buyer and the Parent to authorize and permit the execution and delivery by the Buyer and the Parent of this Agreement, the Escrow Agreement and the instruments required to be executed and delivered by it pursuant hereto and the performance by each of Buyer and the Parent of its respective obligations hereunder and the consummation by the Buyer and the Parent of the contemplated transactions, including issuance of the Stock Consideration. This Agreement has been (or in the case of the Escrow Agreement, will be) duly executed and delivered by each of the Buyer and the Parent, and assuming the due authorization, execution and delivery by each of the other parties hereto or thereto, constitutes (or will constitute) the legal, valid and binding obligation of each of the Buyer and the Parent, enforceable against the Buyer and the Parent in accordance with its terms.

5.3. No Violation or Approval; Consents. Except as set forth in Schedule 3.4, neither the execution and delivery of or its performance of its obligations under this Agreement by the Buyer or the Parent nor either of their consummation of the Contemplated Transactions will:

5.3.1. require any consent, waiver, approval, clearance, permit, order or authorization of or from, or registration, declaration, notice or filing to or with any Governmental Authority with respect to the Buyer or the Parent;

5.3.2. not (1) except as set forth in Schedule 5.3.2, result in a breach of, constitute (with or without due notice or lapse of time or both) a default under, result in the acceleration of obligations under, create in any Person the right to accelerate, terminate, modify or cancel, or require any notice, consent or waiver under, any contract, lease, sublease, license, sublicense, franchise, permit, indenture, agreement or mortgage for borrowed money, instrument of indebtedness, Lien (other than Permitted Liens) or other arrangement to which the Buyer or the Parent is a party or by which the Buyer or the Parent is bound or to which its assets are subject, or (3) result in the imposition of any Lien (other than Permitted Liens); or

5.3.3. result in a material breach or violation of, or material default under, the Organizational Documents of the Buyer or the Parent.

5.4. Valid Issuance of Stock Consideration. The Stock Consideration, when issued and delivered in accordance with the terms and for the consideration set forth in this Agreement, will be validly issued, fully paid and nonassessable, not subject to preemptive rights, and free of restrictions on transfer other than restrictions on transfer under applicable U.S. state and federal securities laws and this Agreement and pursuant to any liens or encumbrances created by or imposed by a Seller. Assuming the accuracy of the representations of the Sellers in Section 4 of this Agreement, the Stock Consideration will be issued in compliance with all applicable federal and state Laws and all applicable rules of The Nasdaq Stock Market LLC ("Nasdaq").

5.5. Litigation. There is no Action pending or, to the knowledge of the Buyer, threatened against the Buyer, the Parent or any of their Affiliates or any of their properties, asserts or business, that would prevent Buyer or the Parent from (a) executing and delivering this Agreement, or (b) performing Buyer's or the Parent's obligations pursuant to, or observing any of the terms and provisions of, this Agreement. Neither Parent nor Buyer has received notice of and to their knowledge there is no SEC inquiry or investigation, other governmental inquiry or investigation, or internal investigation pending or, to Parent's and Buyer's knowledge, threatened, in each case regarding any accounting practices of the Parent or any of its Subsidiaries or any malfeasance by any officer or director of Buyer, Parent, or any of its Subsidiaries.

5.6. Brokers. There are no brokerage commissions, finders' fees or similar compensation payable in connection with the Contemplated Transactions based on any arrangement or agreement made by or on behalf of the Buyer, the Parent or any of their Affiliates other than fees (if any) that will be paid by the Buyer, the Seller or their Affiliates and for which the Sellers and their Affiliates will have no responsibility to pay.

5.7. Capital Structure. The authorized share capital of the Parent consists of 100,000,000 ordinary shares, par value NIS 0.01 per share. As of the date of this Agreement, 46,100,173 shares of Parent Stock were issued and outstanding (not including shares to be issued hereunder).

5.8. Listing and Maintenance Requirements. Parent Stock is registered pursuant to Section 12(b) of the Exchange Act, and the Parent has taken no action designed to result in the termination of the registration of such Parent Stock under the Exchange Act nor has the Parent received any notification that the SEC is contemplating terminating such registration. The Parent Stock is currently listed on The Nasdaq Global Market and Parent is in compliance with all of the applicable rules and regulations of Nasdaq, subject to availing itself of any "home country" exemption from such rules and regulations available to a "foreign private issuer" (as defined under the Exchange Act and under the relevant rules and regulations of Nasdaq), except for any non-compliance that would not reasonably be expected to have, individually or in the aggregate, a material adverse effect.

5.9. SEC Reports. The Parent has timely filed all reports, registration 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) of the Exchange Act, 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) (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, being collectively referred to herein as the "SEC Reports"). As of the respective dates of their filing, all SEC Reports complied in all material respects with the applicable requirements of all laws applicable to the Parent or to its securities, properties or business. To the Parent's knowledge, the SEC Reports did not as of the time they were filed with the SEC contain any untrue statement of a material fact or omit 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 are made, not misleading. For purposes of this Section 5.9, "knowledge" means with respect to any fact, circumstance, event or other matter in question, the actual knowledge of such fact, circumstance, event or other matter by executive management of such entity, including its principal executive officer and the principal financial officer.

5.10. Investment Intent. The Buyer is acquiring the Shares for investment for its own account and not with a view to, or for sale in connection with, any distribution of any part thereof. The Buyer acknowledges that the Shares and the sale thereof have not been registered under the Legal Requirements of any jurisdiction.

5.11. Independent Investigation. Each of the Parent and the Buyer has conducted its own independent investigation, review and analysis of the business, results of operations, prospects, condition (financial or otherwise) or assets of the Company, and acknowledges that it has been provided access to the personnel, properties, assets, premises, books and records, and other documents and data of the Sellers and the Company for such purpose. Without derogating from its reliance on the representations and warranties of the Company and Sellers in this Agreement, each of the Parent and the Buyer acknowledges and agrees that: (a) in making its decision to enter into this Agreement and to consummate the transactions contemplated hereby, each of the Parent and the Buyer has relied solely upon its own investigation and the express representations and warranties of the Company and the Sellers set forth in Articles III and IV of this Agreement (including the related portions of the Disclosure Schedules); and (b) none of the Sellers, the Company or any other Person has made any representation or warranty as to Sellers, the Company or this Agreement, except as expressly set forth in Articles III and IV of this Agreement (including the related portions of the Disclosure Schedules). Each of the Parent and the Buyer specifically disclaims that it is relying upon or had relied upon any such other representations or warranties that may have been made by any Person, and acknowledges that the Company and the Sellers and their respective Affiliates hereby specifically disclaim any such other representation or warranty made by any Person.

5.12. Taxes and Tax Returns.

(a) Each of the Parent and the Buyer has (i) filed (taking into account any applicable extensions) all income Tax Returns and other material Tax Returns that were required to be filed on or prior to the date hereof and all such Tax Returns were correct and complete in all material respects and (ii) paid all Taxes owed, whether or not shown on such Tax Returns, and each of their Subsidiaries has done so, except to the extent that the failure to do so has not had, and would not reasonably be expected to have, a Material Adverse Effect on the Parent.

(b) There are no material liens for Taxes (other than Permitted Liens) on any assets of the Parent or the Buyer.

(c) Neither the Parent nor the Buyer is a party to any currently pending Tax audits or other administrative Tax proceedings in each case the outcome of which could have a material adverse impact on Parent, Buyer, or their respective businesses or financial condition, or any currently pending court proceedings or any other material dispute or claim concerning any material Tax liability of the Parent, the Buyer or any of their Subsidiaries, in each case, for which written notice has been received. To the Parent's and Buyer's knowledge, there are no material matters under discussion between the Parent, the Buyer or any of their Subsidiaries and any Taxing Authority.

6. Conditions Precedent to the Obligations of the Buyer.

The obligation of the Buyer to consummate the Closing is subject to the satisfaction or waiver on or prior to the Closing Date of each of the following conditions:

6.1. Representations and Warranties. (i) The Seller Fundamental Representations and the representations set forth in clause (b) of Section 3.6 shall be true and correct in all respects at and as of the date hereof and the Closing Date with the same effect as though made at and as of such date and (ii) the representations and warranties of the Company and the Sellers in this Agreement and any certificate or other writing delivered pursuant hereto other than the Seller Fundamental Representations shall be true and correct at and as of the date hereof and the Closing Date with the same effect as though made at and as of such date, except, in the case of this clause (ii), where the failure to be true and correct would not reasonably be expected to have a Material Adverse Effect (without giving effect to "material," "in all material respects," "Material Adverse Effect" or similar phrases in the representations and warranties that limit the representations and warranties); provided, however, that, with respect to clauses (i) and (ii) above, representations and warranties that are made as of a particular date or period will be true and correct (in the manner set forth in clauses (i) or (ii), as applicable) only as of such date or period.

6.2. Performance of Obligations. The Sellers and the Company (including its Subsidiaries) will have complied with and performed in all material respects all covenants and agreements required by this Agreement to be complied with or performed by the Sellers or the Company (including its Subsidiaries), respectively, at or prior to the Closing.

6.3. Compliance Certificate. The Seller Representative will have delivered to the Buyer a certificate dated as of the Closing Date, executed by an officer of the Company and the Seller Representative, to the effect that each of the conditions specified above in Sections 6.1 and 6.2 has been satisfied.

6.4. Injunctions. No Governmental Authority will have enacted, issued or promulgated any Legal Requirement (whether temporary, preliminary or permanent) that remains in effect and that enjoins, makes illegal or otherwise prohibits the consummation of the Contemplated Transactions.

6.5. Escrow Agreement. The Buyer will have received a copy of the Escrow Agreement, duly executed and delivered by the Seller Representative and the Escrow Agent.

6.6. Indebtedness. The Company will have obtained, and delivered to the Buyer a copy of, pay-off letters or other similar documentation, in a form reasonably acceptable to the Buyer, to the effect that there will be no outstanding amounts payable in respect of the Estimated Company Indebtedness upon payment at the Closing of the amounts specified in such pay-off letters or similar documentation, which pay-off letters or similar documentation shall include authorization of the release of all Liens upon the payment in full on the Closing Date of such amounts.

6.7. FIRPTA. The Company shall have delivered to the Buyer a statement from the Company certifying that Shares in the Company are not "United States real property interests" (within the meaning of Section 897 of the Code), signed under penalties of perjury and otherwise in form and substance as required by Treasury Regulations Sections 1.1445-2(c) and 1.897-2(h), together with the notice to the IRS required by Treasury Regulations Section 1.897-2(h)(2), in each case a form reasonably acceptable to the Buyer.

6.8. Personnel. Each of the Workers identified as "Founders" in Schedule 6.8, and all of the Workers identified as "Key Employees" in Schedule 6.8 shall have entered into new employment agreements with the Company effective as of immediately following the Closing, which employment agreements will provide for the termination of their preexisting employment or consulting agreements with the Company and employment term of not less than one year post-Closing Date.

6.9. Secretary's Certificate. The Company will have delivered to the Buyer a certificate of the Secretary of the Company, dated as of the Closing Date, (i) certifying as to and attaching (a) copies of resolutions duly adopted by the Board of Directors of the Company authorizing the execution, delivery and performance of this Agreement and the other agreements contemplated hereby, and the consummation of the Contemplated Transactions, including a certification that such resolutions shall not have been modified or rescinded as of the Closing Date, (b) the certificate of formation (or equivalent other governing document) of the Company and each of its Subsidiaries certified by the Secretary of State or similar Governmental Authority in its jurisdiction of organization, (c) the good standing of the Company and its Subsidiaries in their respective jurisdictions of organization, including copies of good standing certificates (or equivalent documents) issued within five (5) Business Days of the Closing Date by the Secretary of State or similar Governmental Authority in its jurisdiction of organization and (ii) certifying as to the incumbency, names and signatures of the directors, managers, and officers (or functional equivalents) of the Company and its Subsidiaries.

6.10. Forms W-8/W-9. The Buyer shall have received an IRS Form W-9 or an applicable version of IRS Form W-8 for each Seller, duly executed by that Seller.

6.11. Consents. All actions, approvals, consents and waivers that are listed in Schedule 6.11 shall have been taken or obtained, as applicable, and evidence thereof shall have been delivered by the Company to the Buyer, in each case in a form and substance reasonably acceptable to the Buyer.

6.12. Non-competition Agreements. The Non-competition Agreements shall be in effect and not have been repudiated.

6.13. MDW Asset Purchase Agreement. The Asset Purchase Agreement by and among the Buyer, the Parent and MDW LLC, dated as of October 21, 2021, shall have closed.

6.14. Company Intellectual Property. The Company's Intellectual Property shall be free from any Lien and freely transferable.

6.15. PPP Escrow Agreement. The Buyer will have received a copy of the PPP Escrow Agreement, duly executed and delivered by the Company and the PPP Escrow Agent.

7. Conditions Precedent to Obligations of the Sellers.

The obligation of the Sellers to consummate the Closing is subject to the satisfaction or waiver on or prior to the Closing Date of each of the following conditions:

7.1. Representations and Warranties. (i) The Buyer Fundamental Representations shall be true and correct in all respects at and as of the date hereof and the Closing Date with the same effect as though made at and as of such date and (ii) the representations and warranties of the Buyer in this Agreement and any certificate or other writing delivered pursuant hereto other than those set forth in clause (i) above shall be true and correct at and as of the date hereof and the Closing Date with the same effect as though made at and as of such date, except, in the case of this clause (ii), where the failure to be true and correct would not reasonably be expected to have a material adverse effect on the Buyer's ability to consummate the Closing (without giving effect to materiality, material adverse effect or similar phrases in the representations and warranties that limit such representations and warranties); provided, however, that, with respect to clauses (i) and (ii) above, representations and warranties that are made as of a particular date or period will be true and correct (in the manner set forth in clauses (i) or (ii), as applicable) only as of such date or period.

7.2. Performance of Obligations. The Buyer will have complied with and performed in all material respects all covenants and agreements required by this Agreement to be complied with or performed by the Buyer at or prior to the Closing.

7.3. Compliance Certificate. The Buyer will have delivered to the Sellers a certificate of the Buyer dated as of the Closing Date to the effect that each of the conditions specified above in Sections 7.1 and 7.2 has been satisfied.

7.4. Injunctions. No Governmental Authority will have enacted, issued or promulgated any Legal Requirement or Governmental Order (whether temporary, preliminary or permanent) that remains in effect and that enjoins, makes illegal or otherwise prohibits the consummation of the Contemplated Transactions.

7.5. Escrow Agreement. The Sellers will have received a copy of the Escrow Agreement, duly executed by the Buyer, the Parent and the Escrow Agent.

8. Covenants of the Parties.

8.1. Access to Premises and Information.

8.1.1. From the date hereof until the Closing Date, the Company will promptly permit the Buyer and its Representatives to have reasonable access during normal business hours to (i) all of the properties, books, contracts, commitments and records of the Company and any of its Subsidiaries and (ii) all other information concerning the business, Intellectual Property, properties and personnel of Company and its any of its Subsidiaries as Buyer may reasonably request. Buyer and its Representatives shall not unreasonably disrupt the personnel and operations of the Company. Notwithstanding anything to the contrary contained in this Section 8.1, the Company may withhold any document (or portions thereof) or information (a) that may constitute privileged attorney-client communications or attorney work product, or (b) if the provision of access to such document (or portion thereof) or information, as determined by the Company in good faith, would reasonably be expected to conflict with applicable Legal Requirements.

8.1.2. Subject to Legal Requirements, until the earlier of the termination of this Agreement and the Closing Date, the Company shall promptly notify Buyer of, and to confer from time to time as requested by Buyer, with one or more representatives of Buyer during ordinary business hours to discuss, any material changes or developments in the operational matters of the Company and its Subsidiaries. If Buyer requests further information or investigation of the basis of any potential violations of Legal Requirements, including Legal Requirements related to export control and the Anti-bribery Laws, the Company shall cooperate with such request and shall make available any personnel or experts engaged by the Company necessary to accommodate such request.

8.1.3. The Company shall (1) notify Buyer in writing promptly after learning of any Action by any Governmental Authority initiated by or against the Company or any of its Subsidiaries, or known by the Company to be threatened against the Company, any of its Subsidiaries, or any of their respective directors, officers, employees or members in their capacity as such (a "New Litigation Claim"); (2) notify Buyer of ongoing material developments in any New Litigation Claim; and (3) consult in good faith with Buyer regarding the conduct of the defense of any New Litigation Claim.

8.1.4. No information or knowledge obtained in any investigation in accordance with this Section 8.1 will affect, amend or supplement, or be deemed to affect, amend or supplement, any representation or warranty contained in this Agreement, the Disclosure Schedule, the conditions to the obligations of the parties to consummate the Contemplated Transactions or any party's rights hereunder (including rights under Article 9).

8.1.5. All information exchanged pursuant to this Section 8.1 shall be subject to that certain confidentiality agreement by and between Buyer and the Company, dated October 15, 2019 (the "Confidentiality Agreement") and Buyer acknowledges and agrees that it will abide by the terms of such Confidentiality Agreement.

8.2. Conduct of Business Prior to Closing. From the date hereof until the Closing, the Company shall conduct its business in the ordinary course consistent with past practice. Without limiting the generality of the foregoing, from the date hereof until the Closing Date, and except as (i) expressly contemplated by this Agreement, (ii) required by Legal Requirement, or (iii) otherwise consented to in writing in advance by Buyer (which consent shall not be unreasonably withheld, conditioned or delayed),

8.2.1. the Company shall, and shall cause its Subsidiaries to:

(a) (i) pay all of its debts and Taxes when due, except to the extent such debts or Taxes are being contested in good faith by appropriate proceedings, and for which adequate reserves according to GAAP have been established, (ii) pay or perform its other obligations when due, and (iii) use commercially reasonable efforts consistent with past practice to (1) preserve intact its present business organization, (2) keep available the services of its present officers and key employees, and (3) preserve its relationships with customers, suppliers, licensors, licensees, and others having business dealings with it; and

(b) notify Buyer of any change, occurrence or event not in the ordinary course of business of the Company, and of any change, occurrence or event which, individually or in the aggregate with any other changes, occurrences and events, could reasonably be expected to have a Material Adverse Effect or which is reasonably likely to cause any of the conditions in Article 6 and Article 7 not to be satisfied; and

8.2.2. the Company shall not, and shall not permit its Subsidiaries to:

(a) adopt or propose any change in the Organizational Documents;

(b) merge, combine or consolidate with any other Person or acquire any amount of assets of any other Person (except for acquisitions of supplies in the ordinary course of business consistent with past practices), subject to Section 8.4;

(c) except (i) as expressly required by Legal Requirement, or (ii) to comply with any Employee Plan entered into prior to the date hereof and listed on Schedule 3.10.1 (to the extent complete and accurate copies of which have been heretofore made available to Buyer), (A) adopt, enter into, terminate or amend any collective bargaining agreement or Employee Plan or any benefit or compensation arrangement that would be an Employee Plan if it had been in existence on the date of this Agreement; (B) increase the compensation, bonus, fringe or other benefits of, or pay any bonus of any kind or amount whatsoever to any Worker; (C) pay to any Worker any benefit or amount not required under any Employee Plan; (D) grant or pay any equity or equity-based, change in control, severance or termination compensation or benefits to, or increase in any manner the equity or equity-based, change in control, severance or termination compensation or benefits of, any current or former Worker; (E) take any action to fund or in any other way secure the payment of compensation or benefits under any Employee Plan; (F) take any action to accelerate the vesting or time of payment of any compensation or benefit under any Employee Plan; or (G) hire any employee except in replacement of any Worker listed Schedule 3.18.3 who is not a vice president or higher;

(d) settle, release, assign, or compromise any Action, whether now pending or hereafter made or brought;

(e) commence any Action against any Person other than in such cases where it in good faith determines that failure to commence an Action would result in the material impairment of a valuable aspect of the Business, as long as the Company consults with Buyer before the filing of such Action;

(f) (i) declare, enter into, set aside, issue or pay any dividend or any distribution (in cash or in kind) to any equityholder of the Company, (ii) directly or indirectly redeem, purchase or otherwise acquire any Share (other than repurchases of Shares from departing employees in the ordinary course of business consistent with past practices), or (iii) enter into any subscriptions, options, warrants, puts, calls, agreements, understandings, claims, or other commitments or rights of any type relating to the issuance, sale or transfer by the Company of any securities of the Company, including securities which are convertible into or exchangeable for Company equity or other securities of the Company;

(g) except as contemplated by this Agreement or by the terms thereof, accelerate, amend or change the period of exercisability or vesting of Company equity granted under the Employee Plans or the vesting of the securities purchased or purchasable under such options, awards or rights, amend or change any other terms, including the exercise price or base value, of such options, awards or rights, or authorize cash payments in exchange for any such option awards or rights or the securities purchased or purchasable under those options or rights or waive or amend the right of repurchase applicable to any Shares;

(h) sell, assign, lease, license, transfer, abandon or otherwise dispose of, or mortgage, pledge or encumber any of its assets, other than pursuant to non-exclusive licenses to Company Intellectual Property entered into in the ordinary course of business pursuant to the sale of Company products or services;

(i) make any loans or advances to, or any investments in or capital contributions to, any Person, or forgive or discharge in whole or in part any outstanding loans or advances, other than advances to Workers for travel and other expenses in the ordinary course of business;

(j) create, incur, assume, or guarantee any indebtedness for borrowed money, other than borrowings that are included in Estimated Company Indebtedness and that are pursuant to the Company's existing credit facilities;

(k) (i) amend or modify in any material respect in a manner adverse to the Company or any of its Subsidiaries, or assign or consent to the termination of, any Material Contract, or (ii) except for a new contract with a customer or potential customer entered into in the ordinary course of business, enter into any new agreement which would be considered a Material Contract if it had been entered into prior to the date of this Agreement;

(l) except as contemplated by the Company's capital expenditure budget for its fiscal year ending December 31, 2021, which is attached hereto as Schedule 8.2.2(l), make any capital expenditures or commitments, capital additions or capital improvements or enter into any capital leases;

(m) fail to maintain insurance in at least such amounts and against at least such risks and losses as are consistent in all material respects with the Company's current practices, reduce the amount or scope of any coverage provided by existing insurance policies, permit any existing insurance policy to lapse without being replaced by a commensurate insurance policy or reduce the amount or scope of indemnity bonds issued at the request or for the benefit of the Company;

(n) elect or appoint any new non-employee members to the board of directors or similar governing body of the Company;

(o) make any material Tax election inconsistent with the Company's prior practices, change any material election in respect of Taxes, file any amendment to a Tax Return, enter into any closing agreement in respect of Taxes, settle any claim or assessment in respect of Taxes, or consent to any extension or waiver of the limitation period applicable to any claim or assessment in respect of Taxes;

(p) make any change in accounting practices or policies from those utilized in the preparation of the Financial Statements, make any change in its invoicing practices, write off, write down or make any determination to write off or write down any of its assets; or make any material change in its credit or allowance practices or policies; or

(q) agree or commit to do any of the foregoing.

Notwithstanding the foregoing, the Company shall be permitted, after the date of this Agreement and prior to Closing, to (x) make all required payments on Indebtedness and (y) utilize unrestricted cash to pay obligations of the Company in the ordinary course of business prior to the Closing.

8.3. Confidentiality; Announcements.

8.3.1. The Confidentiality Agreement shall continue in full force and effect in accordance with its terms.

8.3.2. Each party will not, and will make reasonable efforts to cause its Representatives not to, issue or cause the publication of any press release or other public announcement or make any disclosure to any Person regarding (a) this Agreement, the Disclosure Schedule, the Contemplated Transactions, or any discussions, memoranda, letters or agreements related to this Agreement or thereto, including any announcement to employees, customers, suppliers or others having dealings with the Company, (b) the existence or terms of this Agreement or the Contemplated Transactions; (c) the existence of discussions and negotiations between or among Buyer, the Company, and the Sellers, or any of the respective Representatives of Buyer or the Company; (d) the consummation of the Contemplated Transactions or (e) information about the business, properties, financial condition or operations of the Company, in the case of each of clauses (a)–(e) without prior approval of Buyer, except, in the case of the Sellers, to the extent (x) disclosure is required by such Seller to his, her or its Tax, financial, legal or other professional advisors or, if applicable, spouse, subject to a duty of confidentiality, for purposes of complying with such Seller's Tax obligations or other reporting obligations under Legal Requirements arising out of the Contemplated Transactions, or (y) disclosure is made by such Seller to his, her or its legal counsel, subject to a duty of confidentiality. No party shall make any announcement or disclosure utilizing Siemens', or any of its Affiliate's, name, likeness, trade names, trademarks, or service marks without the prior written consent of Siemens.

8.3.3. After the Closing Date, each Seller agrees and agrees to make reasonable efforts to cause its Representatives to treat any and all Proprietary Information as confidential and not disclose or make it available to any Person unless it is or has been:

(a) obtained legally and freely from a third party without restriction as to the disclosure of such information;

(b) made public as required by applicable Legal Requirements; or

(c) within the public domain or later becomes part of the public domain as a result of acts by someone other than any Seller or any Representative of a Seller.

8.3.4. To the extent obliged to treat Proprietary Information as confidential, each Seller and the Seller Representative shall use the same degree of care as it uses with regard to its own proprietary information to prevent disclosure, use, or publication of the Proprietary Information.

8.3.5. In the event that a Seller or the Seller Representative or any of their respective Representatives becomes legally compelled to disclose any Proprietary Information other than as permitted by Section 8.3.3, such Seller or Seller Representative shall provide Buyer with prompt written notice of such requirement so that Buyer may seek a protective order or other remedy or waive compliance with Section 8.3.3, and in the event that such protective order or other remedy is not obtained, or Buyer waives compliance with Section 8.3.3, furnish only that portion of such Proprietary Information that is legally required to be provided and exercise its commercially reasonable efforts to obtain assurances that confidential treatment will be accorded such Proprietary Information.

8.4. No Solicitation.

8.4.1. From the date hereof until the earlier of the termination of this Agreement pursuant to its terms and the Closing Date, the Company and the Sellers will not, and Sellers will use commercially reasonable efforts to cause its and their Representatives and Affiliates not to, directly or indirectly:

(a) solicit, initiate, knowingly encourage, facilitate or support any inquiry, proposal or offer with respect to, or the making, announcement, submission or completion of any Acquisition Transaction;

(b) participate or engage in any discussions or negotiations with, or furnish or disclose any non-public information relating to the Company, or otherwise cooperate with, facilitate or assist any Person in connection with an Acquisition Transaction;

(c) approve, endorse or recommend any Acquisition Transaction;

(d) enter into any letter of intent, agreement in principle, merger agreement, acquisition agreement, option agreement or other similar agreement relating to an Acquisition Transaction; or

(e) resolve, propose or agree to do any of the foregoing.

8.4.2. Upon execution of this Agreement, the Company and each Seller will, and the Company shall use commercially reasonable efforts to cause its and their Representatives and Affiliates to, immediately cease and cause to be terminated any existing direct or indirect discussions with any Person (other than Buyer) that relate to or are in respect of an Acquisition Transaction.

8.4.3. From the date hereof until the earlier of the termination of this Agreement pursuant to its terms and the Closing Date, each Seller will, and the Company shall use commercially reasonable efforts to cause its and their Representatives and Affiliates of the Company to, promptly (and in no event later than 24 hours after receipt thereof) notify Buyer orally and in writing of any proposal, offer, inquiry or notice concerning an Acquisition Transaction or that would reasonably be expected to lead to a proposal relating to any Acquisition Transaction, or any request for information from a Person in respect of an Acquisition Transaction or that would reasonably be expected to lead to a proposal relating to any Acquisition Transaction (including the identity of the Person making or submitting such proposal, offer or request, the material terms thereof and a copy of any written proposal, offer or request) that is received by the Company or any Seller, or any representative thereof. The Sellers and the Company shall keep Buyer informed on a reasonably current basis (and, in any event, within 24 hours) of the status and details of any material modifications to any such proposal, offer or request.

8.5. Preparation for Closing. Subject to the terms and conditions hereof, each of the Company, the Sellers, the Buyer and the Parent agrees to use its reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary or desirable under applicable Legal Requirements to consummate the Contemplated Transactions as promptly as practicable, including preparing and filing as promptly as practicable with the applicable Governmental Authorities all documentation to effect all necessary filings, notices, petitions, statements, registrations, submissions of information, applications and other documents necessary to consummate the Contemplated Transactions. In furtherance (and not in limitation) of the foregoing:

8.5.1. Regulatory Filings.

(a) Subject to the terms and conditions set forth in this Agreement, each of the parties agrees to use reasonable best efforts to take, or cause to be taken, all actions that are necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the Contemplated Transactions, including using reasonable best efforts to accomplish the following: (i) obtain all required consents, approvals or waivers from third parties, including as required under any Material Contract and (ii) obtain all necessary actions or nonactions, waivers, consents, approvals, orders and authorizations from Governmental Authorities, make all necessary registrations, declarations and filings and take all reasonable best efforts to obtain an approval or waiver from, or to avoid any Action by, any Governmental Authority, including making the Regulatory Filings (as defined below).

(b) In connection with, and without limiting, the efforts referenced in Section 8.5.1(a) Buyer (and its respective Affiliates, if applicable), on the one hand, and the Company (and the Company Subsidiaries, if applicable), on the other hand, shall promptly determine whether any filings are required to be made with, and whether any other consents, approvals, permits or authorizations are required to be obtained from, any Governmental Authority under any other applicable Legal Requirement in connection with the transactions contemplated hereby, and if so, to prepare and file any such filings and to seek any such other consents, approvals, permits or authorizations (collectively, the "Regulatory Filings").

(c) In connection with, and without limiting, the efforts referenced in Section 8.5.1(a) or the obligations of the parties under Section 8.5.1(b),each of Buyer and the Company shall, to the extent permitted by applicable Legal Requirement and not prohibited by the applicable Governmental Authority, (i) cooperate and coordinate with the other parties in the making of Regulatory Filings (including providing copies, or portions thereof, of all such documents to the non-filing parties prior to filing and considering all reasonable additions, deletions or changes suggested in connection therewith) and in connection with resolving any investigation, request or other inquiry of any Governmental Authority with respect to any Regulatory Filing, (ii) supply the other parties with any information and reasonable assistance that may be required or reasonably requested in connection with the making of any Regulatory Filing within a reasonable period, and (iii) supply, within a reasonable period, any additional or supplemental information or assistance that may be required or requested by any applicable Governmental Authority to which any such filing is made under any other applicable law, and

(d) Buyer (and its Affiliates, if applicable), on the one hand, and the Company (and the Company Subsidiaries, if applicable), on the other hand, shall, to the extent practicable and unless prohibited by applicable law or by the applicable Governmental Authority, promptly inform the other parties of any material communication from any Governmental Authority regarding any of the Contemplated Transactions in connection with any Regulatory Filings or investigations with, by or before any Governmental Authority relating to this Agreement, including any Actions initiated by a private party. If any party or Subsidiary or other Affiliate thereof shall receive a request for additional information or documentary material from any Governmental Authority with respect to a Regulatory Filing, then such party shall use its reasonable best efforts to make, or cause to be made, as soon as reasonably practicable, an appropriate response in compliance with such request. In connection with and without limiting the foregoing, to the extent reasonably practicable and unless prohibited by applicable Legal Requirement or by the applicable Governmental Authority, the parties will (i) give each other reasonable advance notice of all meetings with any Governmental Authority relating to the Contemplated Transactions, (ii) give each other an opportunity to participate in each of such meetings, (iii) keep the other parties apprised with respect to any material communications with any Governmental Authority regarding the Contemplated Transactions, (iv) cooperate in the filing of any analyses, presentations, memoranda, briefs, arguments, opinions or other written communications explaining or defending the Contemplated Transactions, articulating any regulatory or competitive argument or responding to requests or objections made by any Governmental Authority, (v) provide each other with a reasonable advance opportunity to review and comment upon, and consider in good faith the views of the other with respect to, all material written communications (including applications, analyses, presentations, memoranda, briefs, arguments and opinions) with a Governmental Authority regarding the Contemplated Transactions, and (vi) provide each other (or counsel of each party, as appropriate) with copies of all material written communications to or from any Governmental Authority relating to the Contemplated Transactions. Any such disclosures, rights to participate or provisions of information by one party to the other may be made on a counsel-only basis if allowed or required under applicable Legal Requirement.

(e) In connection with, and without limiting, the efforts referenced in Section 8.5.1(a) or the obligations of the parties under Section 8.5.1(b), except as otherwise provided in this Agreement (including Section 8.5.1(f) and Section 8.5.1(g)), each of Buyer and the Company shall offer to take (and if such offer is accepted, to take or commit to take) all steps: (i) necessary to obtain all consents, approvals or nonactions required to be obtained in connection with the consummation of the Contemplated Transactions; and (ii) necessary to avoid or eliminate impediments under any Legal Requirement that may be asserted by any Governmental Authority or other Person with respect to the Contemplated Transactions, in each case so as to enable the Closing to occur as promptly as practicable following the date of this Agreement and, in any event, prior to the Expiration Date, and, if necessary, will participate in any Action in order to defend against any Action by any Governmental Authority or private party to prevent or enjoin the consummation of the Contemplated Transactions.

(f) Notwithstanding anything to the contrary in this Agreement, none of the Company, Buyer or any of their respective Subsidiaries or Affiliates shall be required to (and the Company may not, without the prior written consent of Buyer) become subject to, consent to, or offer or agree to, or otherwise take any action with respect to, any requirement, condition, limitation, understanding, agreement or order to (i) sell, license, assign, transfer, divest, hold separate or otherwise dispose of any assets, business or portion of business of the Company, Buyer or any of their respective Subsidiaries or Affiliates, (ii) conduct, restrict, operate, invest or otherwise change the assets, business or portion of business of the Company, Buyer, or any of their respective Subsidiaries or Affiliates in any manner, or (iii) impose any restriction, requirement or limitation on the operation or control of the Business or portion of the business of the Company, the Buyer or any of their respective Subsidiaries or Affiliates.

(g) Buyer shall not be required to accept any foreign ownership, Control or influence mitigation arrangement.

8.5.2. Third Party Consents. The Sellers and the Company will cooperate with one another (a) in determining whether any actions, consents, approvals or waivers are required to be obtained from third parties to any Leases or Material Contracts, in connection with the consummation of the Contemplated Transactions and (b) in taking such actions, furnishing documents and information required in connection therewith and seeking to obtain in a timely manner any such actions, consents, approvals or waivers; provided, that (i) nothing in this Agreement will obligate or be construed to obligate the Company or any Seller to make or cause to be made any payment or concession to any third party in order to obtain any such action, consent, approval or waiver under any Lease or Material Contract and (ii) the obtaining of any such action, consent, approval or waiver shall not be a condition to any party's obligation to consummate the Closing, except as provided in Section 6.11.

8.6. Business Records. The Buyer acknowledges that the Seller Representative may from time to time from and after the Closing require access to the Records, and agrees that upon reasonable prior notice, it will, and will ensure that the Company will, during normal business hours, provide the Seller Representative (and its Representatives) with either access to or copies of the Records. If the Company desires to dispose of any such Records prior to the seventh (7^{th}) anniversary of the Closing Date, the Company shall, prior to any such disposition, notify the Sellers and provide to the Seller Representative (or, if applicable, its designee) and its Representative a reasonable opportunity, at the Sellers' expense, to make copies of or remove such Records. Notwithstanding anything to the contrary herein, neither the Sellers nor the Seller Representative shall have access to or the right at any time to examine the Tax Returns, Tax work papers, financial statements or books and records of Buyer or any of its Affiliates (other than the Pre-closing Tax Returns of Company and any of its Subsidiaries, and in the case of information related to post-Closing periods, pro forma information containing only that of, or separate Tax Returns for only, the Company and any of its Subsidiaries) in connection with any Third-Party Claim, Tax Proceeding, similar claim or other dispute (whether among the parties or involving third parties) or otherwise.

8.7. Directors and Officers Indemnification and Insurance.

8.7.1. The Buyer and the Company agree that all rights to indemnification, advancement of expenses and exculpation from liability for or in connection with acts or omissions occurring at any time prior to or on the Closing Date that now exist in favor of any Person who prior to or on the Closing Date is or was a current or former director, manager, officer or employee of the Company (or any Subsidiary thereof), or who at the request of the Company (or any Subsidiary thereof) served prior to or on the Closing Date as a director, officer, member, manager, employee, trustee or fiduciary of any other entity of any type (each a "D&O Indemnified Person"), including as provided in the Organizational Documents of the Company (or any Subsidiary thereof), or in any agreement between a D&O Indemnified Person and the Company (or any Subsidiary thereof) (an "Indemnity Agreement"), will survive the Closing and will continue in full force and effect for the six (6) year period following the Closing Date. In furtherance (and not in limitation of) the foregoing, for the six (6)-year period following the Closing Date, the Buyer will cause the Company to, and the Company will (a) maintain in the Organizational Documents of the Company (any Subsidiary thereof) provisions with respect to indemnification, advancement of expenses and exculpation from liability that in each such respect are at least as favorable to each D&O Indemnified Person as those contained in the Organizational Documents of the Company (or any Subsidiary thereof), as applicable, as in effect on the date hereof, which provisions will not be amended, repealed or otherwise modified in any manner that would adversely affect the rights thereunder of any D&O Indemnified Person and (b) continue in existence each Indemnity Agreement without termination, revocation, amendment or other modification that would adversely affect the rights thereunder of any D&O Indemnified Person.

8.7.2. In addition to the other rights of each D&O Indemnified Person provided for in this Section 8.7 and not in limitation thereof, from and after the Closing, for the six (6) year period following the Closing Date, the Buyer shall, and shall cause the Company (or each Subsidiary thereof) (each, a "D&O Indemnifying Party") to, indemnify and hold harmless (and release from any liability to the Buyer or the Company or any Subsidiary thereof), each D&O Indemnified Person against all losses, claims, damages, liabilities, awards, orders, decrees, rulings, judgments, fines, penalties, settlement agreements, amounts paid in settlement, costs, charges, expenses and fees (including attorneys' and experts' fees and expenses) based upon, arising out of, in respect of or in connection with any threatened, pending or completed Action, based upon, arising out of, in respect of or in connection with any actual or claimed acts or omissions occurring at any time prior to or on the Closing Date (including in respect of any actual or claimed acts or omissions based upon, arising out of, in respect of or in connection with the negotiation or approval of this Agreement and the consummation of the Contemplated Transactions) (each, a "D&O Indemnifiable Claim"). Any D&O Indemnifiable Claim pending or asserted prior to or within the six (6) year period following the Closing Date shall continue to be covered by this Section 8.7 until the later of such time that such D&O Indemnifiable Claim is fully and finally disposed of with no further exposure of a D&O Indemnified Person of any kind or all settlement agreements, judgments, orders, awards, decrees or other rulings in connection with such D&O Indemnifiable Claim are fully and finally satisfied.

8.7.3. On or before the Closing Date, the Company will obtain for the Company at the Company's sole expense, and, for a six (6) year period following the Closing Date, the Buyer will cause the Company to maintain in effect, with no lapse in coverage, one or more "tail" or "runoff" directors' and officers' liability, and employment practices liability insurance policies covering actual or claimed acts or omissions of any D&O Indemnified Person occurring on or before the Closing Date, in each case on terms with respect to coverage, retentions, amounts and other material terms at least as favorable to such D&O Indemnified Persons as those of such policies in effect on the date hereof (the "D&O Tail Policy"). The cost of the D&O Tail Policy will be borne 50% by the Buyer, on the one hand, and 50% by the Sellers (which amount will be included among the Transaction Expenses).

8.7.4. If the Company (or any of its successors or assigns) (a) consolidates with or merges into any other Person and is not the continuing or surviving corporation or entity of such consolidation or merger, or (b) transfers all or substantially all of its properties and assets to any other Person (including by dissolution, liquidation, assignment for the benefit of creditors or similar action), then, and in each such case, the Buyer will cause proper provision to be made so that such other Person fully assumes the obligations set forth in this Section 8.7.

8.7.5. The provisions of this Section 8.7 shall survive the Closing. This Section 8.7 shall be for the irrevocable benefit of, and shall be enforceable by, each D&O Indemnified Person and his or her respective heirs, executors, administrators, estates, successors and assigns, and each such Person shall be an express intended third party beneficiary of this Agreement for such purposes.

8.8. Tax Matters.

8.8.1. Transfer Taxes. The Buyer, on one hand, and the Sellers, on the other hand, shall each bear one-half of the Liability for all Transfer Taxes in connection with the Contemplated Transactions. The parties shall cooperate with each other in connection with the filing of any Tax Returns relating to Transfer Taxes, including joining in the execution of any such Tax Return or other documentation where necessary. The Buyer, on the one hand, and the Seller Representative and the Stockholders, on the other hand, shall, upon request of the other party, use their commercially reasonable efforts to obtain any certificate or other document from any person as may be necessary to mitigate, reduce or eliminate any Transfer Tax. Unless otherwise required by applicable law, the Seller Representative (on behalf of the Sellers) shall be responsible for preparing and timely filing any Tax Return relating to Transfer Taxes and shall provide to the Buyer copies of all filed Tax Returns relating to Transfer Taxes and evidence that all Transfer Taxes have been timely paid. To the extent that the Buyer pays any portion of Transfer Taxes for which the Sellers are responsible under this Section 8.8.1, within three (3) Business Days of receipt of the Buyer's written request and evidence of such payment, the Seller Representative (on behalf of the Sellers) shall reimburse the Buyer for the Sellers' allocable portion of the amount of such Transfer Taxes paid by the Buyer on behalf of the Sellers.

8.8.2. Pre-Closing Tax Period Tax Returns.

(a) The Seller Representative shall timely prepare or cause to be timely prepared all income Tax Returns for the Company and its Subsidiaries for Tax periods ending before the Closing Date and that are due on or after the Closing Date (each a "Pre-Closing Tax Return"). Except as otherwise may be approved by the Buyer, all such income Tax Returns described in the previous sentence must be prepared (i) in accordance with applicable Legal Requirements, and (ii) consistent with the past practices of the Company except as otherwise required by applicable Legal Requirements. At least thirty (30) days prior to filing, the Seller Representative shall provide drafts of such income Tax Returns to the Buyer for review and written comments, and the Seller Representative will consider such comments in good faith. The Buyer shall prepare or cause to be prepared all other Tax Returns for the Company and its Subsidiaries to be filed after the Closing Date, and, for any such Tax Returns for a Straddle Period (each such Tax Return, a "Straddle Period Tax Return") or that are a Pre-Closing Tax Return the Buyer shall provide drafts of such Tax Returns to the Seller Representative for review and written comments at least thirty (30) days prior to filing, and the Buyer shall consider in good faith Seller Representative's reasonable comments and proposed changes in the applicable Tax Return(s) (if in compliance with Legal Requirements and consistent with the Company's past practice). Except as required by Legal Requirements, all Tax Returns described in this Section 8.8.2(a) shall be prepared consistent with past practice. The Sellers shall be responsible for the full amount of Taxes shown due on any Pre-Closing Tax Return and for the portion of the Taxes shown due on any Straddle Period Tax Return that are allocable under Section 8.8.4 to the portion of the Straddle Period ending on the Closing Date, except for any such Taxes included in the calculation of Working Capital. Within three (3) Business Days of Seller Representative's receipt of the Buyer's written request, a copy of which will be delivered to the Escrow Agent, the Escrow Agent will pay to the Buyer the amounts of Taxes for which the Sellers are responsible as described in the proceeding sentence.

(b) The parties agree that all losses, deductions, credits and any other Tax benefits available on account of the payment or incurrence of the Transaction Expenses, the Transaction Bonus Payments, the payment of the Company Indebtedness, and the other transactions or payments contemplated by this Agreement shall be reported in Pre-Closing Tax Periods to the greatest extent permitted by Legal Requirement, and to the greatest extent required to be treated as a loss, deduction, credit or benefit on Tax Returns of an owner of the Company, shall be reported as a loss, deduction, credit or benefit on the Sellers' Tax Returns (rather than the Buyer's Tax Returns, or the Company's Tax Returns for any period beginning on or after the Closing Date) to the extent permitted by Legal Requirement. In addition, for any of the Transaction Expenses that are facilitative and might otherwise be required to be capitalized by the Company under Treasury Regulations Section 1.263(a)-5, the parties to this Agreement agree, and agree to cause their Affiliates, to cause the Company to make and apply, to the extent applicable, the "safe harbor election" described in IRS Revenue Procedure 2011-29, 2011-18 I.R.B. 746, with respect to all such expenses that are eligible for such election, unless and except as the Seller Representative may otherwise agree.

(c) The Buyer shall cause the Company to join the Buyer's "consolidated group" (within the meaning of Treasury Regulations Section 1.1502-1(h)) for purposes of U.S. federal Income Taxes and all other applicable Income Taxes effective as of the beginning of the date following the Closing Date and, to the extent permitted by applicable Law, treat the day immediately before the Closing Date as the last date of the taxable period for each other Tax period of the Company (the "Agreed Tax Treatment"). Each party hereto shall file all Tax Returns consistently with the Agreed Tax Treatment and shall not take any position inconsistent therewith.

8.8.3. Amended Returns; Tax Elections. The Buyer shall not, and shall cause the Company and its Subsidiaries not to, (a) make any amendment of any Tax Returns of the Company or any Subsidiary to the extent such Tax Return relates to any Pre-Closing Tax Period (including any Straddle Period Tax Return) or to the extent such amendment would otherwise adversely affect any Stockholder or its direct or indirect owners (including any indemnification liability under Section 9.2) without the Seller Representative's prior written consent (not to be unreasonably withheld, conditioned or delayed) or (b) make any election that has retroactive effect to any Pre-Closing Tax Period or that would otherwise materially increase the Tax Liability of any Stockholder or any Stockholder's direct or indirect owners without such Stockholder's prior written consent (not to be unreasonably withheld, conditioned or delayed), in each case, except as required by Legal Requirement; provided, however, that in all such cases above, if such amended Tax Return or election could reasonably be expected to increase in any material respect the Tax liability of a Stockholder (including any indemnification obligation with respect to Taxes pursuant to Section 9.2), it will be reasonable for the Seller Representative to withhold consent (such consent not to be unreasonably withheld) from any such amendment or election proposed by or on behalf of the Buyer, to the extent that the Tax Return filings of the Company or any Subsidiary, in the absence of filing such Tax Return or election, would be in accordance with applicable Law.

8.8.4. Straddle Periods. In the case of any Straddle Period, the amount of any Taxes of the Company and its Subsidiaries not based upon or measured by income, payroll, specific activities or events, the level of any item, gain, receipts, proceeds or profits or similar items for the Pre-Closing Tax Period will be deemed to be the amount of such Taxes for the entire Tax period multiplied by a fraction, the numerator of which is the number of days in the Tax period ending on the day immediately before the Closing Date and the denominator of which is the number of days in such Straddle Period. The amount of any other Taxes for a Straddle Period that is included in the Pre-Closing Tax Period will be determined based on an interim closing of the books as of the close of business on the day immediately before the Closing Date (and for such purpose the taxable period of any partnership will be deemed to end as of the close of business on the day immediately before the Closing Date); provided, however, that (i) any carryforward of charitable contribution deductions, Tax credits, or other Tax attributes from a Tax Period ending before the Closing Date to a Straddle Period will be deemed to be used fully in the portion of such Straddle Period ending on the day immediately before the Closing Date before being used in the portion of such Straddle Period beginning on the Closing Date, (ii) Tax deductions related to Transaction Expenses, the Transaction Bonus Payments, the payment of the Company Indebtedness, and the other transactions or payments contemplated by this Agreement that are allowed under applicable Tax Law in a Straddle Period shall be allocated to the pre-Closing portion of the Straddle Period as provided in Section 8.8.4, and (iii) exemptions, allowances or deductions that are calculated on an annual basis will be allocated to the portion of the Straddle Period ending on the day immediately before the Closing Date in the same proportion as the number of calendar days during the Straddle Period through the day immediately before the Closing Date bears to the number of calendar days in the entire Straddle Period.

8.8.5. Tax Proceedings. In the event of any audit, assessment, examination, claim or other controversy or proceeding relating to Taxes or Tax Returns of the Company or any Subsidiary (a "Tax Proceeding") with respect to or which includes any Pre-Closing Tax Period, the Buyer shall inform the Seller Representative of such Tax Proceeding promptly; provided, however, that the failure or delay by the Buyer to promptly provide notice of a Tax Proceeding will not affect the Buyer's right to indemnification hereunder except to the extent the defense of such Tax Proceeding is prejudiced thereby or the delay increases the ultimate Tax (including any interest and penalties) or other liability costs with respect to Tax Proceeding. To the extent that the Seller Representative provided written acknowledgement of the Sellers' Liability (to the extent attributable to the Pre-Closing Tax Period) to indemnify the Buyer pursuant to Section 9.2 for the Tax Liability at issue in the Tax Proceeding, the Buyer shall afford the Seller Representative the opportunity to control, at the Sellers' expense, the conduct of any such Tax Proceeding, with counsel or a Tax adviser of its own choosing, and to settle or otherwise resolve such Tax Proceeding in such manner as the Seller Representative may deem appropriate; provided, however, that the Seller Representative may not settle any such Tax Proceeding without the Buyer's consent (which consent shall not be unreasonably withheld, conditioned or delayed). The Buyer shall have the right to reasonably be informed of material developments in any such Tax Proceeding and participate in such Tax Proceeding at its own expense. In the event that the Seller Representative does not assume control of such a Tax Proceeding, the Buyer may control the Tax Proceeding, but the Buyer may not settle or otherwise resolve such Tax Proceeding without the Seller Representative's consent (which consent shall not be unreasonably withheld).

8.8.6. Refunds. Any refunds (or credits against Tax in lieu of a refund to which the Buyer or its Affiliates, including the Company or its Subsidiaries, become entitled) of Taxes of the Company or its Subsidiaries attributable or relating to a Pre-Closing Tax Period, including for a Straddle Period to the extent allocable to the portion of such Tax Period ending on the Closing Date in accordance with Section 8.8.4, will be for the benefit of the Sellers. The Buyer will promptly pay over to the Sellers all Tax refunds or credits received by the Buyer or its Affiliates (including the Company and its Subsidiaries) to which the Sellers are entitled under this Section 8.8.6, including all interest paid by a Taxing Authority with respect thereto, by wire transfer of immediately available funds in accordance with wire information to be provided by the Seller Representative upon Buyer's request, which the Buyer shall pay within ten (10) days after (i) the Buyer's (or its Affiliate's) receipt of any such refund, or (ii) the due date of the Tax Return on which such credit is used or applied.

8.8.7. Cooperation and Tax Record Retention. The Buyer shall promptly furnish to the Seller Representative such information as the Seller Representative may reasonably request with respect to Tax matters relating to the Company or any Subsidiary for any taxable period beginning before the Closing Date, including by providing access to relevant books and records and making employees of the Buyer and the Company and its Subsidiaries available to provide additional information and explanation of any materials provided hereunder. The Buyer and Seller Representative shall cooperate with each other in connection with the preparation of any Tax Returns, in connection with any claim for a refund or credit governed by Section 8.8.4, and in connection with any Tax Proceeding controlled by the Seller Representative pursuant to Section 8.8.5. Notwithstanding anything else contained herein to the contrary, the Buyer shall retain all books and records with respect to Tax matters pertinent to the Company and any of its Subsidiaries relating to any Pre-Closing Tax Period until the expiration of the statute of limitations (taking into account any extensions thereof) applicable to such taxable periods, and to abide by all record retention agreements entered into with any Taxing Authority.

8.8.8. The parties agree that no election pursuant to Code Sections 338 or 336(e) will be made by the Buyer, the Company, or any of the Company's Subsidiaries with respect to the transactions contemplated under this Agreement.

8.9. Notification. From the date hereof until the Closing Date, the Company or the Seller Representative may disclose to the Buyer in writing (in the form of updated Disclosure Schedules) (the "Schedules Notice") any development, fact or circumstance, solely to the extent arising after the date hereof, causing a breach of any of the representations and warranties contained in Sections 3 or 4 hereof. Such Schedules Notice shall amend and supplement the appropriate Disclosure Schedules delivered on the date hereof and attached hereto; provided that (A) if the condition set forth in Section 6.1 would not be satisfied if the Disclosure Schedule were not so amended and supplemented, then the Buyer will have the right to terminate this Agreement by providing written notice of such termination to the Company, and (B) no information or Schedules Notice provided under this Section 8.9 will, or will be deemed to, limit or modify or otherwise affect any representation or warranty contained herein.

8.10. Certain Employment and 401(k) Plan Matters.

8.10.1. If requested by Buyer at least five days prior to the Closing Date, then effective no later than one Business Day prior to the Closing Date, the Company will terminate any and all Employee Plans intended to include a cash or deferred arrangement qualifying under and described in Code Section 401(k) (each, a "401(k) Plan"). If Buyer requests that a 401(k) Plan be terminated pursuant to the preceding sentence, then no later than two (2) days prior to the Closing Date, the Company will provide Buyer with evidence that any such 401(k) Plans have been terminated (effective as of no later than one (1) Business Day prior to and contingent upon the Closing Date) pursuant to validly adopted resolutions of the Company's board of directors.

8.10.2. Effective from and after the Closing Date and for a period of one (1) year thereafter, with respect to employees of the Company who remain employed by the Company ("Continuing Employees"), Buyer will cause the Company to continue to: (i) maintain base compensation levels at least equal to the base compensation levels in place immediately prior to the Closing, (ii) provide such Continuing Employees with eligibility for benefits that are no less favorable in the aggregate to the benefits available under current Employee Plans, (iii) provide to such Continuing Employees health insurance coverage with deductibles and other terms, in the aggregate, no less favorable than those being provided under the applicable Employee Plan prior to the Closing, and (iv) provide each Continuing Employee with employment terms and conditions that are no less favorable, in the aggregate, to the terms and conditions of such employee's employment with the Company prior to the Closing; provided, however, that nothing in the preceding or any other provision of this Agreement will obligate Buyer to continue the employment of any employee after the Closing for any period of time or to continue any specific Employee Plan.

8.10.3. Effective from and after the Closing Date, Continuing Employees will be given credit for eligibility and vesting purposes under the employee benefit plans, programs, policies and arrangements maintained from time to time by Buyer or the Company, for such employees' service with the Company to the same extent and for the same purposes that such service was taken into account under a corresponding Employee Plan as of the Closing Date; provided, however, that no such service will be credited to the extent that it would result in a duplication of benefits.

8.10.4. All provisions contained in this Agreement with respect to employee benefit plans or employee compensation are included for the sole benefit of the parties hereto and do not create any right in any other Person, including any employee or former employee of the Company or any participant or beneficiary in any Employee Plan.

8.11. Restrictive Legends and Sale Restrictions.

(a) Sellers that receive shares of Stock Consideration shall be subject to resale restrictions according to Nasdaq rules and regulations and applicable U.S. securities laws, and their Stock Consideration will bear restrictive legends as set forth in Section 4.7(d) of this Agreement

(b) Certificates evidencing the Stock Consideration shall not be required to contain legends as set forth in Section 4.7(d) of this Agreement (i) while a registration statement, if any, covering the resale of the Stock Consideration is effective under the Securities Act, (ii) following any sale of such shares pursuant to Rule 144 under the Securities Act ("Rule 144"), (iii) if the Stock Consideration is eligible for immediate sale under Rule 144 without any volume or manner-of-sale restrictions) or (iv) if Sellers provide Parent with a legal opinion to the effect that such legends are not required under applicable requirements of the Securities Act (including controlling judicial interpretations and pronouncements issued by the staff of the SEC). At such time as Stock Consideration is eligible for immediate sale under Rule 144, Parent, at its sole expense, shall cause its counsel to issue a legal opinion to Parent's transfer agent or the Sellers (if required by the Parent's transfer agent) to effectuate the removal of all legends on certificates evidencing such Stock Consideration. Parent agrees that at such time as legends are no longer required under this Section 8.11(b), it will, no later than two (2) Business Days following the delivery by the Sellers to the Parent or the Parent's transfer agent of a certificate representing the Stock Consideration , deliver or cause to be delivered to the Sellers certificates representing Stock Consideration that are free from all restrictive and other legends (or, if such shares of Parent Stock are represented in book-entry format, instruct the transfer agent to remove the restrictive legend from the applicable book entry).

(c) The Parent shall use commercially reasonable efforts to maintain the listing of all Parent Stock on The Nasdaq Global Market or any other U.S. national securities exchange and automated quotation system, if any, upon which shares of Parent Stock are then listed.

(d) Sellers shall not use any material non-public information of Buyer or the Parent which has been received in connection with this Agreement to purchase, sell, make any short sale of, loan, grant any option for the purchase of, or otherwise transfer, dispose of any securities of the Parent in violation of applicable law.

8.12. Further Assurances. Each of the Sellers, the Buyer and the Parent, upon the request of the other from time to time after the Closing, and at the expense of the requesting party but without further consideration, shall sign such documents and take such actions as may be necessary or otherwise reasonably requested to effect, or make more fully effective, the consummation of the Contemplated Transactions.

8.13. Release of Claims. Upon and subject to the Closing and in consideration of the payments made to such Seller as set forth on the Closing Statement and other good and valuable consideration, each Seller undertakes as follows:

8.13.1. Except in respect of the Retained Claims, each Seller, on behalf of himself, herself, or itself, and his, her or its successors, assigns, heirs, executors, legatees, administrators, beneficiaries, Representatives, and agents and any Seller Affiliates (the "Releasing Parties"), fully, finally and irrevocably releases, acquits and forever discharges the Company, each other Stockholder, and Buyer, each of their respective, Affiliates, successors and assigns, and the beneficiaries, heirs, executors, or Representatives, and insurers of any of them (collectively, the "Released Parties"), along with the current and former officers and directors of Company, from (a) any and all claims, counterclaims, suits, causes of action, damages, demands, and Liabilities (i) relating to the allocation of the Purchase Price set forth in the Allocation Schedule, including the allocation among the Sellers of the liability for the Purchase Price adjustment pursuant to Section 2.5.5, each Seller's allocable share of the Escrow Amount, PPP Escrow Amount, and Seller Representative Fund Amount, and the allocation of the Earn Out among the Sellers, all in accordance with the Allocation Schedule; or (ii) relating to rights of first refusal or notice requirements provided in the Company's Organizational Documents or other agreements governing the Company or the Sellers' ability to engage in the sale of Shares or transactions similar to those contemplated by this Agreement; and (b) any and all commitments, Actions, promises, agreements, controversies, debts, claims, counterclaims, suits, causes of action, damages, demands, Liabilities, obligations, costs and expenses of every kind and nature whatsoever, whether arising from any express, implied, oral, or written contract or agreement or otherwise, known or unknown, past, present or future, at law or in equity, contingent or otherwise (a "Potential Claim"), that such Releasing Parties, or any of them, had, has or may have had at any time in the past until and including the Closing, against the Released Parties, or any of them, for or by reason of any matter, cause or thing whatsoever occurring at any time at or prior to the Closing with respect to the Company or its ownership of securities issued by the Company (items (a) and (b) above, collectively the "Released Matters"), in all cases except that the Released Matters do not include any Retained Claim as further described in Section 8.13.2.

8.13.2. The Released Matters do not include, and nothing in this Agreement shall affect or be construed as a waiver or release by the Releasing Parties of, any Potential Claim by such Releasing Parties arising from or relating to the Retained Claims. "Retained Claims" means (a) fees, salary, reimbursement for expenses, bonuses, change of control payments, or other compensation or employment benefits earned or accrued by or for the benefit of such Releasing Parties prior to the Closing in respect of services performed by such Seller as an employee, manager or director of the Company and any of its Subsidiaries and (b) the payment of the consideration for the Shares owned by such Stockholder, Accredited Options owned by such Accredited Optionholder, or Warrants owned by such Warrantholder, as applicable and in each case pursuant to the Allocation Schedule, in each case on and subject to the terms and conditions hereof.

8.13.3. No Transfer of Potential Claims. Such Seller represents and warrants to the Released Parties that such Seller has made no assignment or transfer of any of the Potential Claims for any Released Matter.

8.13.4. Waiver of Unknown Claims. With respect to any and all Potential Claims for any Released Matter, such Seller expressly waives and relinquishes, and the other Releasing Parties shall be deemed to have expressly waived and relinquished, any and all provisions, rights and benefits conferred by any Legal Requirement of any jurisdiction or principle of common law that provides that a general release does not extend to claims that are unknown or unsuspected to the releasor at the time the releasor executes the release, even if knowledge of such claims by the releasor would have materially affected his or her settlement with the debtor. Such Seller acknowledges that the inclusion of such unknown Potential Claims herein was separately bargained for and was a key element of this Section 8.13. Such Seller acknowledges, and the other Releasing Parties shall be deemed to have acknowledged, that they may hereafter discover facts which are different from or in addition to those that they may now know or believe to be true with respect to any and all Potential Claims herein released and agree that all such unknown Potential Claims are nonetheless released and that this Section 8.13 shall be and remain effective in all respects even if such different or additional facts are subsequently discovered. Furthermore, such Seller, by signing this Agreement, hereby agrees to waive any and all rights of pre-emption or first refusal or other rights of or restrictions of the Company on the transfer of any of the Shares conferred by the Organizational Documents or any Contract with respect to the transfers of the Shares provided for in this Agreement.

8.13.5. Covenant Not to Sue. Such Seller hereby irrevocably covenants to refrain from and, if such Seller Controls any of the Releasing Parties, to cause such Releasing Parties to refrain from, asserting any Potential Claim, or commencing, instituting or causing to be commenced, any Action of any kind against any of the Released Parties, in any forum whatsoever (including any administrative agency), that arises out of, relates in any way to, or is based upon, any of the Released Matters.

8.13.6. Basis of Defense; Attorneys' Fees. This Section 8.13 may be pleaded by the Released Parties as a full and complete defense and may be used as the basis for an injunction against any action at law or equity instituted or maintained against them in violation of this Section 8.13. In the event any Potential Claim is brought or maintained by such Seller or any Releasing Party against the Released Parties in violation of this Section 8.13 and a Released Party prevails, such Seller shall be responsible for all costs and expenses, including reasonable attorneys' fees, incurred by the Released Parties in defending same

8.14. PPP Loan.

8.14.1. At Closing, the Company shall deposit the PPP Escrow Amount into the PPP Escrow Account in accordance with Section 2.4.2(b), such amount to be held and released in accordance with the PPP Escrow Agreement. In the event that a portion or all of the debt outstanding under the PPP Loan is forgiven by the U.S. Small Business Administration or Wells Fargo Bank, N.A., as applicable, in accordance with applicable Law and any portion of the PPP Escrow Amount deposited into the PPP Escrow Account pursuant to Section 2.4.2(b) hereof is disbursed by the PPP Escrow Agent to the Company (following the Closing), Buyer or the Parent, the Buyer or the Parent promptly shall pay all of such released amounts to the Sellers in accordance with the Allocation Schedule, which amounts will be payable to and among the Stockholders and Warrantholders in accordance with the Allocation Schedule and to the Company for further distribution to and among the Accredited Optionholders in accordance with the Allocation Schedule.

8.14.2. Following the Closing, Buyer will reasonably cooperate with Seller Representative's efforts to establish an escrow account with Wells Fargo Bank, N.A., as escrow agent, for purposes of administering the PPP Escrow Account pursuant to an escrow agreement containing substantially similar terms as it relates to the PPP Escrow Account set forth in the PPP Escrow Agreement delivered at the Closing. Upon agreeing to a mutually acceptable escrow agreement with Wells Fargo Bank, N.A., Buyer and Seller Representative will deliver a Joint Instruction (as defined in the PPP Escrow Agreement delivered at Closing) to the Escrow Agent instructing the Escrow Agent to deliver the PPP Escrow Account in full to Wells Fargo Bank, N.A., which will then become the PPP Escrow Agent under this Agreement and such escrow agreement

8.15. Stone Creek Consulting. For purposes of calculating Estimated Company Indebtedness, the Company's $75,000 contingent liability to Stone Creek Consulting will be treated as Estimated Company Indebtedness. Following the Closing, the Parent and Buyer will cause the Company to pay to Stone Creek Consulting $75,000 if the applicable contingencies set forth in Letter Agreement dated July 1, 2021 are satisfied. If within 150 days of the Closing, the contingencies are not satisfied, and the $75,000 payment does not become payable, unless otherwise included as part of the Purchase Price Adjustment pursuant to Section 2.5, Parent and Buyer will cause the Company to pay $75,000 to the Sellers in accordance with the Allocation Schedule, which amounts will be payable to and among the Stockholders and Warrantholders in accordance with the Allocation Schedule and to the Company for further distribution to and among the Accredited Optionholders in accordance with the Allocation Schedule.

9. INDEMNIFICATION

9.1. Survival. Except as set forth in this Section 9.1, the representations and warranties of the parties contained in this Agreement or in the certificate delivered pursuant to Section 6.3 or Section 7.3, and the covenants and agreements of the parties hereto to the extent they, by their terms, contemplate or provide for performance prior to the Closing, shall survive the Closing until the date that is twelve (12) months after the Closing Date (the "Escrow Termination Date"), except that the Seller Fundamental Representations shall survive the Closing until the sixth (6^{th}) anniversary of the Closing Date and the representations and warranties in Section 3.19 (Intellectual Property) shall survive the Closing until the third (3^{rd}) anniversary of the Closing Date. The other covenants and agreements of the parties contained in this Agreement, or in any certificate or other writing delivered pursuant hereto or in connection herewith, shall survive the Closing in accordance with their terms. If the Buyer delivers, before the expiration of the applicable survival period described in the first sentence of this Section 9.1, a Claim Notice to the Seller Representative asserting a Liability Claim for a breach of a representation or warranty or covenant or agreement made by or on behalf of the Company or the Sellers in or pursuant to this Agreement, or if the Seller Representative delivers, before the expiration of the applicable survival period described in the first sentence of this Section 9.1, a Claim Notice to the Buyer asserting a Liability Claim for a breach of a representation or warranty or covenant or agreement made by or on behalf of Parent or the Buyer in or pursuant to this Agreement, then the representation, warranty or covenant will survive the expiration of the applicable survival period described in the first sentence of this Section 9.1 and remain in full force and effect with respect to such Liability Claim until the final resolution thereof. No Liability Claim may be made seeking indemnification for breaches of any representations, warranties, covenants or agreements pursuant to this Section 9 unless a Claim Notice in respect of such Liability Claim is provided to the applicable Indemnifying Party in accordance with this Section 9 prior to the expiration of the applicable survival period described in the first sentence of this Section 9.1.

9.2. Indemnity by the Sellers.

9.2.1. From and after the Closing, subject to the provisions of this Section 9, each Seller shall indemnify, severally but not jointly pro rata in accordance with proceeds allocable to such person, as set forth in the Allocation Schedule, the Buyer and each of its Affiliates and each of their respective Representatives, successors and assigns (collectively, the "Buyer Indemnified Parties") and hold them harmless from and against any and all Losses suffered or incurred by the Buyer Indemnified Parties to the extent arising from:

(a) any breach of any of the representations and warranties of the Company in Section 3;

(b) any breach, or any failure to perform, any covenant or agreement in this Agreement (or in any certificate or other writing delivered by or on behalf of the Company pursuant hereto) that is required by its terms to be complied with or performed by the Company or any of its Subsidiaries prior to or at the Closing;

(c) any D&O Indemnifiable Claims against any D&O Indemnified Person, including such claims that are threatened or alleged;

(d) any Indemnified Taxes; provided, however, that notwithstanding anything to the contrary in this Agreement, (i) in no event will the Sellers have any liability or indemnification obligation with respect to the amount, availability, or use of any Tax assets of the Company or any of its Subsidiaries (including, but not limited to, carryovers of losses, deductions, or other Tax attributes or the Tax basis of the Company's or Subsidiaries' assets) in any taxable period beginning on or after the Closing Date that are attributable to Pre-Closing Tax Periods; and (ii) the Buyer Indemnified Parties shall not be entitled to any indemnification, and none of the Sellers will have any liability or obligation with respect to any indemnification, for or with respect to any Taxes or other costs that might arise or accrue to the Company, any Subsidiary, or any other Person by reason of, or in connection with, any election by or on behalf of the Company or any Subsidiary thereof pursuant to Sections 336(e) or 338 of the Code with respect to any transactions contemplated by this Agreement; or

(e) any principal and unpaid interest for which the Company becomes liable under the PPP Loan Agreement that is not satisfied by the funds deposited at the Closing into the PPP Escrow Account.

9.2.2. From and after the Closing, subject to the provisions of this Section 9, each Seller shall indemnify, severally but not jointly, solely in respect of such Seller and not in respect of any other Seller, the Buyer Indemnified Parties and hold them harmless from and against any and all Losses suffered or incurred by the Buyer Indemnified Parties to the extent arising or resulting from:

(a) any breach of the representations and warranties of such Seller (and not in respect of any other Seller) in Section 4; or

(b) any breach of, or any failure to perform, any covenant or agreement of such Seller (and not any other Seller) in this Agreement (or in any certificate or other writing delivered by or on behalf of such Seller pursuant hereto);

No Seller shall have any obligations under Section 9.2.2 with respect to claims for Fraud unless the Seller knowingly participated in such Fraud.

9.2.3. Limitations on Indemnification by Sellers; Sources.

(a) Except with respect to claims for indemnification for breach of any Seller Fundamental Representation or Losses related to Fraud, the Buyer Indemnified Parties will not be entitled to indemnification under Section 9.2.1(a) (i) for an individual claim unless and until the Loss related to such individual claim is greater than $15,000; (ii) for any Loss unless and until the aggregate amount of Losses exceeds $125,000 (the "Deductible"), at which time the Buyer Indemnified Parties will be entitled to recover any Losses satisfying the requirements of this Article 9; and (iii) in excess of the Escrow Funds and Earn Out. Subject to Section9.2.3(b), the Buyer Indemnified Parties' right under this Section 9.2.3(a) to recover such Losses is limited to recovery first from the Escrow Funds and then from the Earn Out and from no other source.

(b) The maximum aggregate amount of indemnifiable Losses that may be recovered by the Buyer Indemnified Parties in respect of claims pursuant to (i) Section 9.2.1(a) with respect to breaches of Seller Fundamental Representations only, (ii) Sections 9.2.1(b) - 9.2.1(d), inclusive, and (iii) Section 9.2.2 shall be equal to the Purchase Price. Subject to Section 9.2.3(c), the Buyer Indemnified Parties' right to recover Losses under this Section 9.2.3(b) will be from the following sources:

(1) With respect to Losses arising pursuant to Section 9.2.1(a) with respect to breaches of Seller Fundamental Representations only and with respect to Losses arising pursuant to Sections 9.2.1(b) - 9.2.1(d), inclusive, first from the Escrow Funds, and to the extent the Escrow Funds are insufficient, second from the Earn Out, and to the extent the Earn Out is insufficient, then directly from the Sellers severally and not jointly in accordance with their pro rata share of any Losses in accordance with the Allocation Schedule, but only to the extent of the portion of the Purchase Price actually received by such Seller;

(2) With respect to Losses arising pursuant to Section 9.2.2, first from the applicable Seller's remaining allocable share of the Escrow Funds, and then directly from the applicable Seller; provided, that, except in the case of Fraud in which such Seller knowingly participated, no Seller will have any liability pursuant to Section 9.2.2 in excess of the portion of the Purchase Price actually received by such Seller.

(c) Any recovery for claims against the Earn Out pursuant to Sections 9.2.3(a) and 9.2.3(b) will be made to the Buyer Indemnified Party in a ratio of Parent Stock to cash equal to the ratio of Stock Earn Out to cash comprising the Earn Out Amount pursuant to Section 2.6.2(a), (ii) any recovery of Parent Stock from the Earn Out will be valued on the basis of the Earn Out Stock Value, and (iii) any recovery for claims against the Escrow Funds will be made in accordance with the requirements of Section 9.9(b).

(d) Except in the case of Fraud in which such Seller knowingly participated, no Seller will have any liability pursuant to Section 9.2.1 or 9.2.2 in excess of the portion of the Purchase Price actually received by such Seller, and no Seller will have any liability pursuant to Section 9.2.2 as a result of breaches by other Sellers.

9.2.4. Notwithstanding anything to the contrary contained in this Agreement (including the foregoing limitations), nothing in this Agreement will (a) prevent any Buyer Indemnified Party from bringing any Action based upon the Fraud of any Person, or (b) limit the Losses recoverable by such Buyer Indemnified Party in such Action, except that the maximum Losses recoverable by such Buyer Indemnified Party in respect of Fraud by or on behalf of the Company is the Purchase Price.

9.3. Indemnity by the Buyer and the Parent. From and after the Closing, subject to the provisions of this Section 9, each of the Buyer and the Parent shall indemnify the Sellers and each of their Affiliate's Representatives and direct and indirect owners and each of the respective successors and assigns of the foregoing (collectively, the "Seller Indemnified Parties") and hold them harmless from and against any and all Losses suffered or incurred by the Seller Indemnified Parties (a) to the extent arising or resulting from any breach of (i) any representation, warranty, covenant or agreement of the Buyer or the Parent in this Agreement or (ii) any covenant or agreement to be performed by the Company following the Closing, or (b) with respect to any Transfer Taxes for which the Buyer is responsible in accordance with Section 8.8.1.

9.4. Notification of Certain Claims.

9.4.1. If an Indemnified Party desires to make a Liability Claim, then the Buyer (if such Indemnified Party is a Buyer Indemnified Party) or the Seller Representative (if such Indemnified Party is a Seller Indemnified Party), as the case may be, will deliver to the Seller Representative or Buyer, respectively, a notice (any such notice delivered in accordance with the provisions of this Section 9.4.1, a "Claim Notice"): (i) describing the Liability Claim in reasonable detail (based upon the information then possessed by the Buyer or the Seller Representative, as the case may be); and (ii) indicating the amount (estimated, if necessary and to the extent feasible) of the Loss that has been or may be paid, suffered, sustained or accrued by the Indemnified Party.

9.4.2. No delay or failure in providing such Claim Notice will affect an Indemnified Party's rights or remedies or an Indemnifying Party's obligations hereunder except to the extent that the Indemnifying Party is materially and adversely prejudiced thereby.

9.4.3. If the Escrow Funds are available to satisfy the recovery of the claim asserted in such Claim Notice and have not been fully released from the Escrow Account, at the time of delivery of any Claim Notice to the Seller Representative, a duplicate copy of such Claim Notice shall be delivered to the Escrow Agent by or on behalf of the Buyer (on behalf of itself or any other Buyer Indemnified Party).

9.4.4. If the Seller Representative or the Buyer, as the case may be, in good faith objects to any claim made in any Claim Notice, then the Seller Representative or the Buyer, as the case may be, shall deliver a written notice (a "Claim Dispute Notice") to the Buyer or the Seller Representative, as the case may be, during the 30-day period commencing upon receipt by the Seller Representative or Buyer, as the case may be, of the Claim Notice. The Claim Dispute Notice will set forth in reasonable detail the principal basis for the dispute of any claim made in the applicable Claim Notice. If the Seller Representative or the Buyer, as the case may be, does not deliver a Claim Dispute Notice hereunder prior to the expiration of such 30-day period, then such claim for indemnification set forth in such Claim Notice shall be deemed to have been conclusively determined in favor of the Indemnified Party that delivered the Claim Notice for purposes of this Section 9 on the terms set forth in the Claim Notice and the applicable Indemnified Party will be indemnified for the amount of Losses set forth in the Claim Notice pursuant to this Section 9.

9.4.5. If a Claim Dispute Notice is properly delivered hereunder, then the Buyer and the Seller Representative will attempt in good faith to resolve any such objections raised in such Claim Dispute Notice. If the Buyer and the Seller Representative agree to a resolution of such objection, then a memorandum setting forth the matters conclusively determined by Buyer and the Seller Representative will be prepared and signed by both parties.

9.4.6. If no such resolution can be reached during the 45-day period following receipt of a given Claim Dispute Notice hereunder, then upon the expiration of such 45-day period, either the Buyer or the Seller Representative may bring suit to resolve the objection in accordance with Section 11.9.

9.4.7. The Buyer is the sole and exclusive Person authorized to act for, bring Liability Claims on behalf of, or deliver a Dispute Notice on behalf of, the Buyer Indemnified Parties under this Agreement, and the Seller Representative is the sole and exclusive Person authorized to act for, bring Liability Claims on behalf of, or deliver a Claim Dispute Notice on behalf of, the Seller Indemnified Parties under this Agreement.

9.5. Calculation of Losses. For purposes of determining the amount of any Losses subject to indemnification under this Section 9 (except for indemnification pursuant to Section 9.2.1(e)), the amount of such Losses will be determined net of (a) any amounts taken into account as liabilities or reserves in the calculation of the Final Working Capital Amount or any other adjustments to the Purchase Price set forth in Section 2.5, and (b) the sum of any amounts recovered by Buyer Indemnified Parties under insurance policies providing covering for such Losses (the "Insurance Policies"), net of any actual out-of-pocket expenses incurred in collecting such amounts ("Insurance Proceeds"). In the event that any Insurance Proceeds are received after payment for the related indemnification claim has been made pursuant to this Section 9, then the Indemnified Party shall pay to the Sellers in accordance with the Allocation Schedule or the Buyer, as the case may be, an amount equal to the amount of the reduction in Losses that would have been applied pursuant to the first sentence of this Section 9.5 had such Insurance Proceeds been received at the time such indemnification claim was made. Each Indemnified Party shall use commercially reasonable efforts to make claims under its applicable Insurance Policies. Notwithstanding anything herein to the contrary, no disputed matter that would result in a breach of a representation, warranty, covenant or agreement herein that is the subject of a Liability Claim made pursuant to this Section 9 shall be raised to support any adjustment to Purchase Price pursuant to the terms of Section 2.5 in a manner that would circumvent the monetary limitations set forth in this Section 9.

9.6. Matters Involving Third Parties.

9.6.1. If an Indemnified Party receives written notice of any Action that has been brought or may be brought or asserted by a third party against such Indemnified Party and that will give rise to a Liability Claim under this Section 9 (each, a "Third-Party Claim"), such Indemnified Party will notify the Seller Representative promptly after receipt of such notice of any such Third-Party Claim (if a Buyer Indemnified Party is the subject of the Third-Party Claim), or notify the Buyer (if a Seller Indemnified Party is the subject of the Third-Party Claim), in each case by the delivery of a notice regarding the Third-Party Claim, which will be deemed a Claim Notice. The failure of an Indemnified Party to notify the Indemnifying Party of the commencement of any such Third-Party Claim will not limit any party's rights or relieve any party from Liability in connection therewith, except to the extent that such failure materially and adversely affects the ability of the Indemnifying Party to defend its interest in such Third-Party Claim.

9.6.2. In the event of any Third-Party Claim, the Indemnifying Party, upon written notice to the Indemnified Party, will have the right in its sole discretion to assume and control the defense of any such Third-Party Claim. In such event, the Indemnified Party will be given the opportunity to participate at its own cost in, but not direct or conduct, any defense of such Third-Party Claim, unless such participation would adversely affect any privilege of the Indemnifying Party in respect of such Third-Party Claim. The Indemnifying Party will not settle any such Third-Party Claim without the consent of the Indemnified Party unless such settlement (i) provides solely for the payment of money in an amount that is less than the remaining Escrow Funds that are not subject to any other Liability Claim, (ii) provides for a full release of the Indemnified Parties involved in such Third-Party Claim and (iii) does not involve any admission by any Indemnified Party of breach, violation or wrongdoing or involve any future covenants of an Indemnified Party, other than covenants of confidentiality relating to the terms of such settlement. If requested by the Buyer, the Seller Representative will enter into a separate confidentiality or joint defense agreement prior to participating in the defense of any Third-Party Claim.

9.6.3. If the Indemnifying Party does not elect to control the defense of a Third-Party Claim in accordance with Section 9.6.2, the Indemnified Party will assume control of the defense of the Third-Party Claim. The Indemnifying Party will have the right, in its sole discretion, to settle any Third-Party Claim, but no settlement of any such Third-Party Claim with third party claimants will be determinative of the amount of Losses relating to such matter unless the Indemnifying Party consents to such settlement.

9.6.4. The party controlling the defense of a Third-Party Claim will (i) keep the non-controlling party reasonably advised of the status of such Third-Party Claim and the defense thereof and will consider in good faith recommendations made by the non-controlling party with respect thereto and (ii) make available to the non-controlling party any documents or materials in its possession or control that may be necessary to understand the defense of such claim (subject to confidentiality obligations and the protection of the attorney-client privilege). The non-controlling party will furnish the controlling party with such information as it may have with respect to such Third-Party Claim (including copies of any summons, complaints or other proceedings which may have been served on such party and any written claim, demand, invoice, billing or other document evidencing or asserting the same) and will otherwise reasonably cooperate with and assist the controlling party in the defense of such Third-Party Claim.

9.7. Materiality. Solely for purposes of calculating any Losses suffered by the other Person on account of any breach of any representation, warranty, covenant or agreement of a Person under this Section 9, each such representation, warranty, covenant or agreement qualified by words or phrases such as "material," "in all material respects" or "Material Adverse Effect" or any similar term shall be read as if such qualification did not exist (except with respect to Section 3.6 (Ordinary Course of Business; No Material Adverse Effect) and the definition of "Material Contracts").

9.8. No Contribution. None of the Sellers or the Seller Representative will have any right of contribution, right of indemnity or other right or remedy against the Buyer or any of its Affiliates, the Company or any of its Subsidiaries, or any of their Representatives in connection with any indemnification obligation or any other Liability to which such Person may become subject pursuant to or in connection with this Agreement.

9.9. Escrow.

(a) Escrow Amount shall be held by the Escrow Agent in the Escrow Account until paid in accordance with Section 2.5 and this Section 9 and the Escrow Agreement. From and after the Closing, the Escrow Amount will be available to compensate the Buyer Indemnified Parties for Losses in accordance with this Section 9 and the Escrow Agreement. The Escrow Agreement shall provide that following the Escrow Termination Date, the Escrow Agent shall pay to the Sellers, in accordance with the Allocation Schedule, the remainder of the Escrow Funds no later than five (5) Business Days after the expiration of the Escrow Termination Date, other than such portion of the Escrow Funds that is subject to pending but unresolved or unsatisfied Liability Claims specified in any Claim Notice (the "Retained Amounts"). The Escrow Agreement shall provide that any Retained Amounts shall be released to the Sellers, in accordance with the Allocation Schedule, no later than five (5) Business Days after the date of final resolution and payment of the outstanding claim for indemnification. In the event of a conflict between the Escrow Agreement and this Agreement, the terms of this Agreement shall govern. The fees, costs and expenses of the Escrow Agent shall be paid 50% by the Buyer and 50% by the Sellers.

(b) Any portion of the Escrow Funds disbursed by the Escrow Agent to compensate the Buyer Indemnified Parties for Losses in accordance with Section 9 or to be paid to the Sellers following the Escrow Termination Date in accordance with Section 9.9(a) shall be made in a ratio of Parent Stock to cash equal to the ratio of the Escrow Stock Amount to the Escrow Cash Amount deposited with the Escrow Agent at Closing. For purposes of determining the value of any distributions made pursuant to this Section 9.9(b), shares of the Parent Stock will be valued on the basis of the Closing Stock Value.

9.10. Tax Treatment. The Buyer and the Sellers will treat any payment received pursuant to Section 2.5.5 and this Section 9 as an adjustment to the purchase price for Tax and financial reporting purposes, except to the extent otherwise required by any Legal Requirement.

9.11. Acknowledgement by the Buyer.

> THE REPRESENTATIONS AND WARRANTIES BY THE COMPANY AND THE SELLERS SET FORTH IN SECTIONS 3 AND 4 OF THIS AGREEMENT CONSTITUTE THE SOLE AND EXCLUSIVE REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND THE SELLERS, AS APPLICABLE, TO THE BUYER IN CONNECTION WITH THIS AGREEMENT OR THE CONTEMPLATED TRANSACTIONS, WHETHER IN WRITING, ORALLY OR OTHERWISE, AND THE BUYER UNDERSTANDS, ACKNOWLEDGES AND AGREES THAT ALL OTHER REPRESENTATIONS AND WARRANTIES OF ANY KIND OR NATURE, EXPRESS OR IMPLIED (INCLUDING ANY RELATING TO THE FUTURE OR HISTORICAL FINANCIAL CONDITION, RESULTS OF OPERATIONS, ASSETS OR LIABILITIES OF THE COMPANY OR THE ACCURACY AND COMPLETENESS OF ANY INFORMATION SUPPLIED RELATING TO THE COMPANY), ARE SPECIFICALLY DISCLAIMED BY THE COMPANY AND THE SELLERS AND ARE NOT BEING RELIED UPON BY THE BUYER OR ANY OF ITS REPRESENTATIVES OR AFFILIATES.

9.12. Reserved.

9.13. Payment Process. Any indemnification payment to be made by an Indemnifying Party pursuant to this Section 9 will be effected by wire transfer of immediately available funds from the Indemnifying Party to the account designated by the Buyer or the Seller Representative (on behalf of the Buyer Indemnified Parties or the Seller Indemnified Parties, respectively) within five (5) Business Days after such Losses have been determined by (a) a final, non-appealable order or judgment of a court of competent jurisdiction or (b) a written, executed agreement between the Buyer and the Seller Representative.

9.14. Seller Representative.

9.14.1. Subject to the requirements of Section 9.14.2 below, by approval of this Agreement in accordance with the laws of the State of Delaware, each Seller hereby irrevocably appoints Yuz, on an exclusive basis, as such Seller's true and lawful attorney-in-fact, representative, agent and proxy, with full power of substitution or re-substitution, to act solely and exclusively, on behalf of such Seller with respect to any and all matters relating to this Agreement and the Escrow Agreement, including (i) that the Parent Stock subject to the Escrow Stock Amount initially may be titled in the name of the Stockholder Representative on behalf of the Sellers until released from the Escrow Account, at which time the Parent Stock will be re-titled in the name of the Sellers in accordance with the Allocation Schedule, (ii) to perform covenants, exercise rights and satisfy obligations of the Sellers herein, to communicate to, and receive all communications and notices from the Buyer, (iii) to resolve with the Buyer and the Independent Referee the Closing Statement and the calculation of any adjustment to the Purchase Price related thereto, (iv) to authorize deliveries to the Buyer Indemnified Parties of cash or other property from the Escrow Account, or to object to related claims in accordance with the Escrow Agreement, (v) to consent or agree to, negotiate, enter into settlements and compromises of, and comply with Governmental Orders with respect to any indemnification claims or disputes under this Agreement, (vi) to authorize the release of the Seller Representative Fund Amount or otherwise control the Seller Representative Fund Amount, and (vii) to do each and every act, implement any decision and exercise any and all rights which the Sellers are permitted or required to do or exercise under this Agreement, except that (x) the Seller Representative may not receive any funds payable hereunder on behalf of the Sellers, and if Seller Representative receives any such funds, it will promptly distribute those funds to the applicable Sellers in accordance with the Allocation Schedule and (y) any action by on or the party of the Seller Representative, including in respect of indemnification claims, disputes related to the release of escrow funds, or matters related to the Earn-Out, that might impact the proceeds payable to Siemens or otherwise relates to any liability of Siemens also requires the written consent of Siemens, which Siemens may grant or withhold in its discretion. If Yuz or any successor or replacement of his as Seller Representative is ever unable and/or unwilling to act as a Seller Representative, the Persons holding a majority of the Shares to be sold pursuant to this Agreement may select another representative or representatives to replace such Seller Representative(s) and such substituted representative shall be deemed to be such Seller Representative(s) for all purposes of this Agreement.

9.14.2. Subject to the approval requirements set forth in the proviso below, the Seller Representative is hereby authorized and empowered to exclusively act as the representative of the Sellers, and to take all action deemed by the consent of the Seller Representative on behalf of the Sellers required or permitted to be taken by the Seller Representative under this Agreement and/or the Escrow Agreement, including with respect to any claims (including the settlement thereof) made by the Buyer for indemnification pursuant to this Section 9; provided that, prior to taking any action on behalf of the Sellers (including in respect of the use of the Seller Representative Fund Amount) (a "Proposed Action"), the Seller Representative must first submit the Proposed Action to Siemens, Michael Yuz and Brian Phelan (each, a "Representative Committee Member" and collectively, the "Representative Committee") for approval. A Proposed Action will be deemed approved by the Representative Committee and the Seller Representative may undertake such Proposed Action if a majority of the Representative Committee Members vote to approve the Proposed Action. For the avoidance of doubt, the Seller Representative may not undertake a Proposed Action if the Representative Committee does not approve such Proposed Action. Each Representative Committee Member may approve a Proposed Action in writing, including electronically via email, and meetings of the Representative Committee are not required. The Sellers shall be bound by all actions taken by the Seller Representative in its capacity as such. Each Seller acknowledges and agrees that the Seller Representative shall for all purposes be deemed the sole authorized agent of the Sellers until such time as the agency is terminated and no Seller shall have any right to act on its own behalf with respect to any of the foregoing matters. The Seller Representative shall promptly, and in any event within five (5) Business Days thereof, provide written notice to the Sellers of any action taken on behalf of the Sellers by the Seller Representative pursuant to the authority delegated to the Seller Representative under this Section 9.14. The Seller Representative shall at all times act in its capacity as Seller Representative in a manner that the Seller Representative believes to be in the best interest of the Sellers. The Sellers agree that the Buyer Indemnified Parties shall be entitled to rely exclusively upon all actions taken or omitted to be taken by the Seller Representative pursuant to this Agreement and any of the foregoing matters. Notwithstanding anything contained herein to the contrary, the Sellers shall remain bound by their obligations under this Agreement, including under Sections 8 and 9.

9.14.3. Neither the Seller Representative (nor any of his Representatives, if applicable) nor the Representative Committee Members shall be liable to any Person for any error of judgment, or any action taken, suffered or omitted to be taken, under this Agreement or the Escrow Agreement, except in the case of his gross negligence, bad faith, fraud or willful misconduct. Each of the Seller Representative and the Representative Committee Members, respectively, may consult with legal counsel, independent public accountants and other experts selected by them and shall not be liable for any action taken or omitted to be taken in good faith in accordance with the advice of counsel, accountants or experts. Neither the Seller Representative nor any Representative Committee Member, respectively, shall have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or the Escrow Agreement. As to any matters not expressly provided for in this Agreement or the Escrow Agreement, the Seller Representative and the Representative Committee Members, respectively, shall not be required to exercise any discretion or take any action. Each Seller, severally in accordance with its pro rata share of the Purchase Price, shall indemnify and hold harmless and reimburse the Seller Representative and the Representative Committee Members from and against any and all Losses incurred by the Seller Representative and each Representative Committee Member, respectively, in each case solely in his capacity as such, arising out of or resulting from any action taken or omitted to be taken by the Seller Representative under this Agreement or the Escrow Agreement, other than such Losses arising out of or resulting from the Seller Representative's gross negligence, bad faith, fraud or willful misconduct.

9.14.4. At the Closing, Buyer will deliver the Seller Representative Fund Amount to a bank account designated by the Seller Representative, which will be controlled by the Seller Representative and used solely to pay the costs and expenses, if any, incurred by the Seller Representative in the performance of his obligations as the Seller Representative.

9.14.5. In all matters relating to this Article 9 and subject to the approval requirements of the Representative Committee, the Seller Representative shall be the only party entitled to assert the rights of the Sellers, and the Seller Representative shall be permitted to perform all of the obligations of the Sellers hereunder, provided that the Sellers shall remain bound by their obligations under this Agreement including any payment obligations. Buyer shall be entitled to rely on all statements, representations, and decisions of the Seller Representative.

10. Termination.

10.1. Termination.**]** The parties may not terminate this Agreement other than as follows:

10.1.1. This Agreement may be terminated at any time prior to the Closing by mutual written consent of the Buyer and the Seller Representative.

10.1.2. The Buyer may terminate this Agreement by delivering written notice to the Seller Representative at any time prior to the Closing in the event (a) the Seller Representative, Sellers or the Company is in material breach of any covenant, representation or warranty contained in this Agreement, (b) the Buyer has notified the Seller Representative of the breach in writing, (c) such breach would result in, or would be reasonably be expected to result in, the failure of any condition set forth in Section 6 and (d) such breach is incapable of cure or has continued without cure for a period of thirty (30) days after delivery of such notice of breach; provided, however, that the Buyer shall not have the right to terminate this Agreement pursuant to this Section 10.1.2 if the Buyer is then in material breach of this Agreement so as to cause any of the conditions set forth in Section 7 to not be satisfied.

10.1.3. The Sellers may terminate this Agreement by the Seller Representative delivering written notice to the Buyer at any time prior to the Closing in the event (a) the Buyer is in material breach of any covenant, representation or warranty contained in this Agreement, (b) the Seller Representative have notified the Buyer of the breach in writing, (c) such breach would result in, or would be reasonably be expected to result in, the failure of any condition set forth in Section 7 and (d) such breach is incapable of cure or has continued without cure for a period of thirty (30) days after delivery of such notice of breach; provided, however, that the Sellers shall not have the right to terminate this Agreement pursuant to this Section 10.1.3 if the Sellers, the Seller Representative or the Company is then in material breach of this Agreement so as to cause the conditions set forth in Section 7 to not be satisfied.

10.1.4. The Buyer, on the one hand, or the Seller Representative, on the other hand, may terminate this Agreement by providing written notice to the other at any time on or after December 15, 2021(the "Expiration Date"), if the Closing shall not have occurred by the Expiration Date; provided, that neither party shall have the right to terminate this Agreement pursuant to this Section 10.1.4 if that party's breach of any provision of this Agreement has caused or resulted in the failure of the Closing to be consummated by the Expiration Date.

10.1.5. Either the Buyer, on the one hand, or the Seller Representative on behalf of the Sellers, on the other hand, may terminate this Agreement by delivering written notice to the other if any Governmental Authority issues a Governmental Order permanently enjoining, restraining or otherwise prohibiting the Contemplated Transactions and such Governmental Order shall have become final and non-appealable; provided, that the Person seeking to terminate pursuant to this Section 10.1.5 (or, in the case where the Seller Representative and the Company are seeking to terminate, the Company, the Seller Representative and the Sellers) has not breached its obligations under Section 8.4 so as to cause the issuance of such Governmental Order.

10.1.6. The Sellers may terminate this Agreement, with no need to allow any additional cure period, by the Seller Representative delivering written notice to the Buyer at any time prior to the Closing in the event that the conditions set forth in Section 6 have been satisfied (other than those conditions that by their nature are to be satisfied at the Closing), the Sellers have confirmed that the Sellers and the Company are prepared to consummate the Closing and the Buyer fails to complete the Closing on the date the Closing should have occurred pursuant to Section 2.3 (a "Buyer Failure to Close").

10.1.7. The Buyer may terminate this Agreement, with no need to allow any additional cure period, by delivering written notice to the Seller Representative at any time prior to the Closing in the event that the conditions set forth in Section 7 have been satisfied (other than those conditions that by their nature are to be satisfied at the Closing), the Buyer has confirmed that it is prepared to consummate the Closing and the Sellers, the Company or the Seller Representative fails to complete the Closing on the date the Closing should have occurred pursuant to Section 2.3 (a "Seller Failure to Close").

Notwithstanding anything to the contrary in this Agreement, (i) the Buyer may not terminate this Agreement following any Buyer Failure to Close and (ii) neither the Sellers, the Company, nor the Seller Representative may terminate this Agreement following any Seller Failure to Close. The party seeking to terminate this Agreement pursuant to Sections 10.1.2, 10.1.3, 10.1.4, 10.1.5 10.1.6 or 10.1.7 will give written notice of such termination to the other parties (provided that any such notice on behalf of the Sellers shall be provided by the Seller Representative), including a brief description of the basis on which such party is terminating this Agreement.

10.2. Effect of Termination. If this Agreement is terminated pursuant to Section 10.1, all rights and obligations of the parties hereunder will terminate without any liability of any party or any Affiliate thereof; provided, however, that (a) the rights and obligations of the parties under Section 8.3 (Confidentiality; Announcements), Section 9.11 (Acknowledgement by the Buyer), this Section 10.2 (Effect of Termination), Section 1.2 (Definitions) and Section 11 (Miscellaneous), and the Confidentiality Agreement, will, in each case, survive termination of this Agreement and remain valid and binding obligations of the parties, and (b) nothing herein will relieve any party to this Agreement from liability (i) pursuant to the sections specified in this Section 10.2 that survive such termination, (ii) subject to Section 9.11, for fraud or (iii) for any breach of any covenant or agreement contained herein occurring prior to such termination.

11. Miscellaneous.

11.1. Notices. All notices, requests, demands, claims and other communications required or permitted hereunder will be in writing and will be sent by personal delivery, nationally recognized overnight courier, facsimile or by e-mail (as a PDF). Any notice, request, demand, claim, or other communication required or permitted hereunder will be deemed duly given, as applicable, (a) upon personal delivery, (b) on the date that delivery is confirmed in the courier's systems when sent by courier delivery or (c) upon confirmation of receipt when sent by facsimile or e-mail (as a PDF), addressed as follows:

If to the Buyer or the Parent or, after the Closing, the Company, to:

Nano-X Imaging Ltd.
Communications Center
Neve Ilan, Israel 9085000
Facsimile number: **[●]**
Email: ilan.r@nanox.vision
Attention: Ilan Rotem, General Counsel

with a copy (which will not constitute notice) to:

Crowell & Moring, LLP
1001 Pennsylvania Ave., NW
Washington, DC 20004
Facsimile number: (202) 628-5116
Email: mkass@crowell.com
Attention: Mark A. Kass

If to the Sellers, or, prior to the Closing, to the Company, to:

USARAD Holdings, Inc.
3201 N Federal Hwy.
Suite 212
Ft. Lauderdale, FL 33306
Email: myuz@secondopinions.com
Attention: Michael Yuz, CEO

with a copy (which will not constitute notice) to:

Wyrick Robbins Yates & Ponton LLP
4101 Lake Boone Trail, Suite 300
Raleigh, North Carolina 27607
E-mail: dcreekman@wyrick.com
Attention: David P. Creekman

and

Tobin Reyes, P.A.
225 NE Mizner Blvd.
Suite 510
Boca Raton, Florida 33432
Email: mdebiase@tobinreyes.com
Attention: Michael De Biase

Any party may change the address to which notices, requests, demands, claims, and other communications required or permitted hereunder are to be delivered by providing to the other parties notice in the manner herein set forth.

11.2. Expenses of Transaction. Whether or not the Contemplated Transactions are consummated, except as otherwise specifically provided for in this Agreement, each of the parties hereto will assume and bear all expenses, costs and fees (including legal and accounting fees and expenses) incurred by such party in connection with the preparation, negotiation and execution and performance of this Agreement and the Escrow Agreement and the consummation of the Contemplated Transactions.

11.3. Entire Agreement. The agreement of the parties that is comprised of this Agreement (including all Schedules and Exhibits hereto) and the Escrow Agreement sets forth the entire agreement and understanding between the parties and their respective Affiliates with respect to the subject matter thereof and supersedes any and all prior agreements, understandings, negotiations and communications (other than the Confidentiality Agreement), whether oral or written, relating to the subject matter of this Agreement or the Escrow Agreement.

11.4. Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or under public policy, all other conditions and provisions of this Agreement will nevertheless remain in full force and effect so long as the economic and legal substance of the Contemplated Transactions are not affected in any manner adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Sellers and the Buyer will negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible to the end that the Contemplated Transactions are fulfilled in accordance with the terms hereof to the greatest extent possible.

11.5. Amendment. This Agreement may be amended or modified, but only by an instrument in writing executed by each of the Buyer and the Seller Representative.

11.6. Parties in Interest. This Agreement will be binding upon and inure solely to the benefit of the parties hereto, and except as provided in Sections 8.7, 9, and 11.16, nothing in this Agreement, express or implied, is intended to or will be construed to or will confer upon any other Person any right, claim, cause of action, benefit or remedy of any nature whatsoever under or by reason of this Agreement, including by way of subrogation.

11.7. Assignment. This Agreement will be binding upon and inure to the benefit of and be enforceable by the successors and permissible assigns of the parties hereto. This Agreement and any rights and obligations hereunder may not be assigned, hypothecated or otherwise transferred by any party hereto (by operation of law or otherwise) without the prior written agreement of the Buyer and the Seller Representative, provided that, (a) the Buyer may assign and delegate any or all of its rights, interests and obligations under this Agreement (1) before or after the Closing to any of its Affiliates and (2) after the Closing, to any Person, as long as any such Affiliate or Person agrees in writing to be bound by all of the terms of this Agreement, but no such assignment or delegation will relieve the Buyer of its obligations under this Agreement if such assignee does not perform such obligations, (b) the rights and obligations of the Seller Representative may be assigned and delegated pursuant to Section 9.14, and (c) any Seller may Transfer its rights to payment hereunder, including (for the avoidance of doubt) the right to receive any portion of the Earn Out Amount, if earned, and Escrow Funds, to another Seller hereunder prior to and following the Closing. The Seller Representative will provide the Buyer with an updated Allocation Schedule reflecting such Transfer within five (5) Business Days after any such transfer. Any purported assignment in breach of this Section 11.7 shall be null and void.

11.8. Governing Law. This Agreement, and all claims arising in whole or in part out of, related to, based upon, or in connection herewith or the subject matter hereof or the Contemplated Transactions will be governed by, construed and enforced in accordance with the laws of the State of Delaware, without giving effect to any choice or conflict of law provision or rule that would cause the application of the laws of any other jurisdiction.

11.9. Consent to Jurisdiction. Each party to this Agreement, by its execution hereof, hereby irrevocably (a) submits, except as provided in Section 2.5, to the exclusive jurisdiction of the Delaware Court of Chancery (or if, but only if, the Delaware Court of Chancery declines to accept jurisdiction, the Superior Court of the State of Delaware or the United States District Court for the District of Delaware) for the purpose of any and all Actions arising in whole or in part out of, related to, based upon or in connection with this Agreement or the subject matter hereof or the Contemplated Transactions, (b) waives to the extent not prohibited by applicable law, and agrees not to assert, by way of motion, as a defense or otherwise, in any such Action, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that any such action brought in one of the above-named courts should be dismissed on grounds of improper venue or *forum non conveniens*, should be transferred to any court other than one of the above-named courts, or should be stayed by reason of the pendency of some other proceeding in any other court other than one of the above-named courts, or that this Agreement or any claims arising in whole or in part out of, related to, based upon, or in connection herewith or the subject matter hereof may not be enforced in or by such court, (c) agrees not to commence any such Action other than before one of the above-named courts nor to make any motion or take any other action seeking or intending to cause the transfer or removal of any such Action to any court other than one of the above-named courts (subject in each case to clause (a) of this sentence) whether on the grounds of inconvenient forum or otherwise, (d) consents to service of process in any such Action in any manner permitted by the laws of the State of Delaware, (e) agrees that service of process made in accordance with clause (d) or made pursuant to Section 11.1 will constitute good and valid service of process in any such Action, and (f) waives and agrees not to assert (by way of motion, as a defense, or otherwise) in any such Action any claim that service of process made in accordance with clause (d) or clause (e) does not constitute good and valid service of process. Notwithstanding the immediately preceding sentence, a party may commence an Action in any other court to enforce an order or judgment issued by one of the courts described in the immediately preceding sentence.

11.10. Waiver of Jury Trial. TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW WHICH CANNOT BE WAIVED, EACH OF THE PARTIES HERETO HEREBY WAIVES, AND AGREES TO CAUSE EACH OF ITS SUBSIDIARIES TO WAIVE, AND COVENANTS THAT NEITHER IT NOR ANY OF ITS SUBSIDIARIES SHALL ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE) ANY RIGHT TO TRIAL BY JURY IN ANY FORUM IN RESPECT OF ANY ACTION DESCRIBED IN SECTION 11.9. ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION 11.10 WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF EACH SUCH PARTY TO THE WAIVER OF ITS RIGHT TO TRIAL BY JURY.

11.11. Reliance. Each of the parties hereto acknowledges that it has been informed by each other party that the provisions of Sections 11.9 and 11.10 constitute a material inducement upon which such party is relying and will rely in entering into this Agreement, and each such party agrees that any breach by such party of any of the provisions of Sections 11.9 or 11.10 above would constitute a material breach of this Agreement.

11.12. Specific Enforcement. Each of the parties acknowledges and agrees that the other parties would be damaged immediately, extensively and irreparably and no adequate remedy at law would exist in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached or violated. Accordingly, in addition to, and not in limitation of, any other remedy available to any party, the parties agree that, without posting bond or similar undertaking, each of the other parties shall be entitled to an injunction or injunctions to prevent breaches or violations of the provisions of this Agreement and to the remedy of specific performance of this Agreement and the terms and provisions hereof. Subject to Section 9 hereof and the limitations set forth therein, such remedies, and any and all other remedies provided for in this Agreement, will, however, be cumulative in nature and not exclusive and will be in addition to any other remedies to which such party may be entitled. Each of the parties hereby acknowledges and agrees that injunctive relief and/or specific performance will not cause an undue hardship to any party. Each party further agrees that, in the event of any action for injunctive relief or for specific performance in respect of any breach or violation, or threatened breach or violation, of this Agreement, it shall not assert the defense that a remedy at law would be adequate or that specific performance or injunctive relief in respect of such breach or violation should not be available on any other grounds.

11.13. No Waiver. No failure or delay on the part of any party hereto in the exercise of any right hereunder will impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty, covenant or agreement herein, nor will any single or partial exercise of any such right preclude any other or further exercise thereof or of any other right. No waiver of any provision of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), or shall constitute a continuing waiver unless otherwise expressly provided. No waiver of any right or remedy hereunder shall be valid unless the same shall be in writing and signed by the party against whom such waiver is intended to be effective.

11.14. Negotiation of Agreement. The parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

11.15. Disclosure Schedules. The inclusion of any information in the Disclosure Schedules will not be deemed an admission or acknowledgment that such information is required to be listed in the Disclosure Schedules or that such items are material. The Disclosure Schedules are arranged in sections corresponding to the subsections of Sections 3 and 4 contained in this Agreement, and the disclosure of an item in one section of the Disclosure Schedules as an exception to a particular representation or warranty in such subsection of Section 3 or Section 4 will be deemed adequately disclosed as an exception with respect to all other representations and warranties in Section 3 or Section 4 to the extent that the relevance of such item to such other representations and warranties in Section 3 or Section 4 is reasonably apparent on its face, notwithstanding the presence or absence of an appropriate cross-reference thereto.

11.16. Third Party Beneficiaries. No provision of this Agreement is intended to confer upon any Person other than the parties hereto any rights or remedies hereunder; provided however, that the following Persons are expressly intended as third party beneficiaries with respect to the following specified sections of this Agreement and will have the right to enforce such specified sections against the parties to this Agreement: with respect to Section 8.7, the Persons who are the beneficiaries of the rights under such Section; with respect to Section 9, the Persons who are the beneficiaries of the indemnification under such Section.

11.17. Headings. The headings contained in this Agreement are inserted only for reference as a matter of convenience and in no way define, limit or describe the scope or intent of this Agreement, and will not affect in any way the construction, meaning or interpretation of this Agreement.

11.18. Counterparts; Electronic Signature. This Agreement may be executed in any number of counterparts, and by the different parties hereto in separate counterparts, each of which will be deemed an original for all purposes and all of which together will constitute one and the same instrument. This Agreement may be executed by facsimile or PDF signature by any party and such signature will be deemed binding for all purposes hereof without delivery of an original signature being thereafter required.

[*The remainder of this page is intentionally blank. Signatures follow.***]**

IN WITNESS WHEREOF, the parties have caused this Stock Purchase Agreement to be executed under seal by their respective duly authorized officers as of the date first written above.

THE BUYER:

NANO-X IMAGING, INC.

By: /s/ James Dara
Name: James Dara
Title: President

THE PARENT:

NANO-X IMAGING LTD.

By: /s/ Ran Daniel
Name: Ran Daniel
Title: Chief Financial Officer

THE COMPANY:

USARAD HOLDINGS, INC.

By: /s/ Michael Yuz
Name: Michael Yuz, MD,MBA
Title: Chief Executive Officer

THE SELLERS:

/s/ MichaelYuz
Michael Yuz

Siemens Healthineers Beteiligungen GmbH & Co. KG

By: /s/ Sanders Gernot
Name: Sanders Gernot
Title:

By: /s/ Hummel Roland
Name: Hummel Roland
Title:

Omphalos Venture Partners, LLC

/s/ Mark Marlow
Name: Mark Marlow
Title: President

Physician Fund LP

By: B. Bobby Bahram
Name: B. Bobby Bahram
Title: Manager of the Manager of the General Partner

/s/ Aleksandr Viventsov
Aleksandr Viventsov

KHBH, LLC

By: /s/ Brian Harrington
Name: Brian Harrington
Title: Manager

/s/ Brent Backhaus
Brent Backhaus

/s/ Lorna Backhaus
Lorna Backhaus

/s/ Victor Koros
Victor Koros

Brent and Lorna Backhaus, as Tenants by the Entirety

/s/ Brent Backhaus
Brent Backhaus, TBE

/s/ Lorna Backhaus
Lorna Backhaus, TBE

/s/ Eduard Michel
Eduard Michel

THE ACCREDITED OPTIONHOLDERS:

/s/ Mark Marlow
Mark Marlow

/s/ Brian Phelan
Brian Phelan

/s/ Pradheep Shanker
Pradheep Shanker, MD

/s/ Elaine Yuz
Elaine Yuz

Exhibit 8.1

Subsidiaries of the Registrant

Name of Subsidiary	Jurisdiction of Incorporation	The holding company
NANO-X AI LTD	ISRAEL	NANO-X IMAGING LTD
NANO-X KOREA INC	KOREA	NANO-X IMAGING LTD
NANO-X IMAGING INC	DELAWARE	NANO-X IMAGING LTD
NANO-X IMAGING INC	JAPAN	NANO-X IMAGING LTD
USARAD HOLDING INC	DELAWARE	NANO-X IMAGING INC
NANOX RAD INC	DELAWARE	USARAD HOLDING INC
NANOX MDW INC	DELAWARE	NANO-X IMAGING INC
NANOX AI INC	DELAWARE	NANO-X AI LTD

Exhibit 12.1

CERTIFICATION OF
CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Erez Meltzer, certify that:

1. I have reviewed this annual report on Form 20-F of Nano-x Imaging Ltd.;

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 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the 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 involved management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2022

/s/ Erez Meltzer

Erez Meltzer
Chief Executive Officer

Exhibit 12.2

CERTIFICATION OF
CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Ran Daniel, certify that:

1. I have reviewed this annual report on Form 20-F of Nano-x Imaging Ltd.;

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 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the 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 involved management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2022

/s/ Ran Daniel

Ran Daniel
Chief Financial Officer

Exhibit 13.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Annual Report on Form 20-F of Nano-x Imaging Ltd. (the "Company") for the twelve-months ended December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Ran Daniel, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) 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.

Dated: May 2, 2022

By: /s/ Erez Meltzer
Erez Meltzer
Chief Executive Officer

Exhibit 13.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Annual Report on Form 20-F of Nano-x Imaging Ltd. (the "Company") for the twelve-months ended December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Ran Daniel, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) 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.

Dated: May 2, 2022

By: /s/ Ran Daniel
Ran Daniel
Chief Financial Officer

Exhibit 15.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-248322) of Nano-X Imaging Ltd. of our report dated May 2, 2022 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F.

Tel-Aviv, Israel
May 2, 2022

/s/Kesselman & Kesselman
Certified Public Accountants (Isr.)
A member firm of PricewaterhouseCoopers International Limited

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