

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

**FORM 10-K**

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the Fiscal Year Ended: December 31, 2020

or

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

Commission file number 333-188920

**SCOUTCAM INC.**

(Exact name of registrant as specified in its charter)

**Nevada**

**47-4257143**

State or other jurisdiction of  
incorporation or organization

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

**Suite 7A, Industrial Park, P.O. Box 3030**  
**Omer, Israel 8496500**

(Address of principal executive offices) (Zip Code)

**Tel: +972 73 370-4691**

Registrant's telephone number, including area code

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
N/A	N/A	N/A

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

**N/A**

(Title of class)

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

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

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant as of June 30, 2020, based on the price at which the common equity was last sold on the OTCQB Market on such date, was \$13.9 million. For purposes of this computation only, all officers, directors and 10% or greater stockholders of the registrant are deemed to be affiliates.

As of March 28, 2021, there were 38,073,022 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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## FORWARD-LOOKING STATEMENTS

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

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

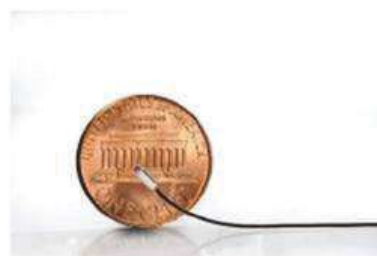
*As used in this Annual Report and unless otherwise indicated, the terms "ScoutCam," "we," "us," "our," or "our Company" refer to ScoutCam Inc. Unless otherwise specified, all dollar amounts are expressed in United States dollars.*

## PART I

### ITEM 1. BUSINESS

#### Overview

We are engaged in the development, production and marketing of innovative miniaturized imaging equipment known as our micro ScoutCam™ technology for use in medical procedures as well as various applications in other industries. Our current business model is that of a B2B approach, in which we seek to identify target businesses interested in integrating our micro ScoutCam™ technology, or commissioning individual projects using our technology. As of the date of this prospectus, we derive a substantial portion of our revenue from applications of our micro ScoutCam™ technology within the medical and industrial fields. We have recently begun examining additional applications for our micro ScoutCam™ portfolio outside of the medical device industry, including sectors such as, inter alia, the homeland security and defense, aerospace (including commercial drones, unmanned aerial vehicles (UAV) and manned airplanes), automotive, industrial non-destructing-testing industries, and predictive maintenance (i.e. Industry 4.0) based on Internet of Things (IoT). We plan to further expand the activity in these non-medical spaces.



Pictured above (from left to right) are the Company's micro ScoutCam™ 1.0 Lum and micro ScoutCam™ 1.2.



The Company's eye-endoscope, which includes a camera at the distal tip, integrated illumination and embedded irrigation, which is only 1.2 mm in outer diameter.

#### *Recent Developments*

On March 22, 2021, the Company undertook to issue to certain investors (the "Investors") 22,222,223 units (the "Units") in exchange for an aggregate purchase price of \$20 million (the "Private Placement"). Each Unit consists of (i) one share of the Company's Common Stock and (ii) one warrant to purchase one share of Common Stock with an exercise price of US\$1.15 per share (the "Warrant" and the "Exercise Price"). Each Warrant is exercisable until the close of business on March 31, 2026. Pursuant to the terms of the Warrants, following April 1, 2024, if the closing price of the Common Stock equal or exceeds 135% of the Exercise Price (subject to appropriate adjustments for stock splits, stock dividends, stock combinations and other similar transactions after the issue date of the Warrants) for any thirty (30) consecutive trading days, the Company may force the exercise of the Warrants, in whole or in part, by delivering to the Investors a notice of forced exercise.

#### *Our Corporate History and Background*

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

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

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

On September 16, 2019, Intellisense and Medigus entered into that certain Exchange Agreement (as defined herein). For additional information about the Exchange Agreement, refer to "—Certain Relationships and Related Party Transactions" below.

On December 30, 2019, we acquired ScoutCam Ltd. As a result of our acquisition of ScoutCam Ltd., we now own all of ScoutCam Ltd.'s issued and outstanding share capital. We plan to integrate and fully adopt ScoutCam Ltd.'s business into our Company as our primary business activity.

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

On April 20, 2020, ScoutCam Ltd. entered into an Amended and Restated Intercompany Services Agreement with Medigus (the "Intercompany Services Agreement"), which effectively amended and restated an intercompany services agreement dated May 30, 2019. For additional information about the Intercompany Services Agreement, refer to "—Certain Relationships and Related Party Transactions" below.

#### *Sales and Marketing*

Our vision is to improve the performance of organizations by offering prestigious tools that enhance the visual technological capabilities of companies across a variety of industries. Our mission is to become a global leader providing innovative, custom-tailored visualization solutions to organizations across a variety of industries based on small and highly resistant cameras and supplementary technologies. Since we are focused on custom-tailored solutions, we have a very limited offering of off-the-shelf products, which are used mainly as demonstrators for new prospects of our technology and capabilities, rather than as a major source of revenue. Moreover, as we focus only on the visualization apparatus and supporting components, including for example a small camera (that consists of a miniature CMOS video sensor, optics, filters, electronics, housing and cables), illumination, cleaning methods (e.g., irrigation), and/or a mechanical structure based on the customer's needs, in most cases our products are components of the customer's end-user products rather than independent end-user products.

Certain illustrative examples of our component parts that have been previously integrated into our clients' end-user products include:



The Company's micro ScoutCam™ 6.5 Lum, pictured above, was integrated into a NASA-commissioned project, and as a result it became the first micro camera utilized in orbit, and thereafter was successfully operated outside the International Space Station in May 2015 (see: [nexis.gsfc.nasa.gov/rrm\\_phase2vipir.html](http://nexis.gsfc.nasa.gov/rrm_phase2vipir.html) and [youtu.be/O9bmZJATnJs](https://youtu.be/O9bmZJATnJs)).



Pictured above is a single-use visualization solution that was developed and sold to A.M. Surgical, which was designed to replace expensive and bulky reusable endoscopes used in carpal tunnel surgery by their Stratos surgical device. We prepared both wired and wireless versions. Wireless device was cleared for marketing by the US Food and Drug Administration (FDA) and it is compliant with FCC regulations.

Our business model includes engaging companies seeking to add a video visualization to their existing or new product(s) or looking into developing new products that include micro video visualization. Accordingly, our customer base is exclusively comprised of businesses, and therefore we are entirely removed from marketing, manufacturing, selling and distributing end-user products to consumers. Our engagement with businesses is ordinarily conducted in two phases. During the first phase, we conduct the research and development that is required in order to specify, design, develop, and produce the designated visualization apparatus, all for an agreed compensation (e.g., a non-recurrent engineering fee). During the second phase, we manufacture the apparatus and sell it to the customer for an agreed transfer price. In some cases, upon a customer's request, we offer complete 'turn-key' contracts, in which we are responsible for most or all product phases, from the specifications phase to the provision of components or products that are complete, packaged and ready for sale. In such cases, we may conduct the necessary regulatory tests and handle the required regulatory approvals. In addition, we may also be responsible, as necessary, for, *inter alia*, packaging, sterilization, labeling and shipment.

Our customers include technology-based companies and organizations of all sizes, from early stage start-ups to large, well-established, international corporations. However, we prefer engaging the latter business partnership as larger corporations provide financial stability, large purchased quantities, recurring revenue, and valid forecasts for extended durations. In addition, we engage customers from various industries, such as biomedical, aerospace, certain sensitive or classified industries, security and defense, and research.

In order to locate and secure new customers we employ both active and passive marketing strategies. As part of our active approach, we employ three business development managers who analyze target industries and assess whether micro visualization components may add value to companies operating in those industries. Once we have identified a potentially relevant industry, we approach a variety of target companies and market the benefits of integrating our micro visualization components into their products. As of the current date, we are in the process of expanding our business development team in order to better and more effectively implement the foregoing marketing strategy. In addition, in order to assist us in identifying such industries and target companies, we consult with subject matter experts from various industries.

In addition to the active marketing strategy described above, we also employ a multitude of available marketing channels in order to increase the exposure of our services to relevant industries. These marketing channels include advertising, participating in relevant tradeshow and conferences, web-marketing, which includes a well maintained website, Search Engine Optimization (SEO), social media presence, frequent distributions of press-releases in target countries, as well as conventional marketing means, including brochures, presentations, etc. Additionally, we issue industry-specific marketing materials that are tailored to highlight the relevant features of our technology to a specific target industry.

As described above, we interact with prospects globally in order to engage in and secure new projects by various business development and marketing means, specifically by way of active and passive marketing measures in order to gather interest from potential customers. These efforts may include, but are not limited to, the following:

- engaging third party companies as territorial representatives in key markets;
- initiating business engagements based on leads received through our website or via other methods or means;
- conducting initial R&D together with such prospects in order to evaluate the feasibility of their contemplated projects;
- maintaining an updated and detailed website presenting our core competency and proven track record;
- promoting our website in different search engines and other digital forums through SEO campaigning as well as other proactive digital marketing measures;
- employing certain social media platforms for campaigning and advertising;
- reconnecting with our large database, which includes a multitude of past prospects;
- developing and refining marketing communications materials, including digital and printed brochures; and
- participating in major vision technology exhibitions such as AIA Vision Show (USA) and Vision Show (Germany).

In addition to our business development efforts that are mainly based on currently existing or future customer needs, we aim to identify new market opportunities. These efforts include systematical analysis of industrial fields as well as medical fields and procedures in order to identify where miniature visualization solutions might benefit and attract value. To this end, we have contracted business development executives with expertise in these fields that are using various resources and interviewing potential uses in identifying the most promising opportunities. When a potential opportunity is identified we protect our rights by establishing the relevant intellectual property safeguards, develop various prototypes that may be relevant for the specific application and engage the key opinion leaders of that field to validate the feasibility of our solutions. Given that we are not a B2C company, our business model does not include commercialization of end-user products; nevertheless, we intend to engage relevant companies to partner with us in order to convert our innovative prototypes into market-ready products, completing the required regulatory clearances, and commercializing them based on revenue share models.

We have certain internal procedures in place for when a potential customer is identified, which when triggered helps provide a roadmap for the ensuing working relationship with that potential customer. Prior to any formal engagement with a potential customer, two of our departments – business development and R&D – work in parallel and in accordance with their own internal procedures. The goal of this work is to define an understanding with the customer that will ordinarily incorporate two phases: (a) an R&D phase, during which the R&D team develops a custom-tailored visualization component that synthesizes our technology and skill with the customer's stated requirements, specifications, and business constraints, and which phase generally includes a formal agreement with respect to the Non-Recurrent Engineering (NRE) fee that is typically payable according to a pre-defined set of milestones; and (b) a production phase, during which we manufacture and supply the component part for an agreed upon transfer price.

Over the years, we have implemented a pricing scheme that allows us to separately price services rendered during the previously described first phase. Pricing of this first phase is typically prepared by the engineering team, which provides an assessment of the anticipated costs associated with the R&D of the project, which price will depend on a given customer's specifications and project vision. Such costs may include, inter alia, engineering labor, any contracts with sub-contractors, tooling, off-the-shelf and newly designed components, materials, prototypes production, testing, management overhead, and travel costs. Once we have completed our cost estimation for the R&D phase, we issue our quote with a certain margin to the customer.

In order to price the transfer price that will be issued in connection with the aforementioned second phase, the expected Bill-Of-Material (BOM) and Cost-Of-Good Sold (COGS) are established and we price it accordingly with a certain margin to the customer. Often times there are certain modifications to the original project outlined and agreed upon in the R&D phase, which might necessitate an increase or decrease to the pricing of the overall project. For that reason, we tend to include a certain margin of flexibility in the final target transfer price. In addition, we usually link the end transfer price with both annual and per-order Minimum Order Quantities (MOQ), in order to reflect the actual production quantity of the COGS as well as to commercially incentivize the customer to order larger quantities.

Both the negotiation process and the contract drafting are usually done in collaboration with the customer, such that both sides can verify throughout the process that the final agreement meets their technological and business expectations. Furthermore, we are keen to maintain close contact with the customer throughout the two phases of our engagement with the customer, including for example, by way of teleconferences, virtual and actual meetings, document exchanges, on-site visits, and reporting of any completion of predefined milestones.

#### *Our Customers*

Currently, we have three major customers that generate most of our current and forecasted revenue in the near term: (1) a large international bio-med company that is developing a visualization component for its invasive surgical device, (see 'Customer B' in note 11 to our financial statements for the year ended December 31, 2020) (2) a medical device company that specializes in orthopedic surgeries and develops and markets minimally invasive surgical devices, (see 'Customer A' in note 11 to our financial statements for the year ended December 31, 2020), and (3) a commercial vehicle manufacturer in the aerospace sphere that is engineering a prototype for remote diagnostics of jet engines, (see 'Customer C' in note 11 to our financial statements for the year ended December 31, 2020).

In addition to these three material customers, we are engaged in initial negotiations with multiple potential customers operating in a variety of sectors, including biomedical, aerospace, industry, military and security, and others. We currently consider the biomedical and aerospace industries to be our core target industries, and from which we receive the greatest level of interest and demand. We are pursuing these potential engagements with the goal of securing research and development contracts that may then materialize into multi-year production contracts. We are in various stages of engagement with a variety of customers in all the above mentioned industries.

In the biomedical space, for example, we generally seek to partner with medical device and pharmaceutical companies that develop endoscopes with or without additional functionality. This variation allows the endoscope to be introduced into anatomical parts that were previously irrelevant within the video-endoscope space either because of the outer diameter and/or price. To this end, we focus on single-use products that accommodate the global trend to transition from expensive, multi-use products that require thorough a cleaning protocol, but which cannot be sterilized, to single-use products.



In the defense and military space, we have partnered with the research and development apparatus of the Israel Defense Forces, specifically to assist in the development of a small and lightweight “basket of cameras” that can be mounted on either a military-grade helmet or a balloon-type device, which would enable the viewer to 360 degrees of vision from the mounted vantage point, in addition to automatic threat detection.

Lastly, we have recently mobilized efforts to market the possibility of employing the micro ScoutCam™ technology for the purposes of monitoring bearings and other sensitive mechanical structures in the IAF helicopters and UAVs. Such an application would complement the rising global market trends associated with Industry 4.0 and Internet of Things (IoT), in which machines are programmed to test themselves and their production output, which then automatically alerts the processor of any potential problems at the outset of the endeavor.

#### *Competition*

We previously operated without competition from other companies; however, today there are several companies that offer small cameras, including, but not limited to, Opcom, Fujikura-Picoramedic, Awaiba, Fisba and Misumi. We, unlike the aforementioned competitors, offer customized solutions, which includes additional components as needed. Other companies, such as IntraVu, Medit, and SPI Engineering, offer complete small diameter off-the shelf endoscopes/borescopes. We, however, focus instead on customizing and integrating our solutions into a given customer’s device. Certain companies, such as Enable, Myriad Fiber Imaging Tech., Inc., and Precision Optics, act as direct competitors, since they offer similar services.

#### *Proprietary Rights and Technology*

As we develop customized components and/or products per specific customer requirements, our various projects are constantly in different stages of development, including: planning, early R&D for a proof of concept, R&D for a prototype, final product/component development, engineering necessary for a production-ready version, and production of initial batches.

Our intellectual property rights include such patents and patent licenses that were granted or transferred by Medigus as part of the Addendum No. 1 to Amended and Restated Asset Transfer Agreement (the “Addendum”), the License Agreement and the Letter Agreement and additional patent assets developed by ScoutCam and assigned to us from a third party. For additional information about the License Agreement refer to “—Certain Relationships and Related Party Transactions” below. Under the Addendum No. 1 to Amended and Restated Asset Transfer Agreement, Medigus transferred five patent families in exchange for a license in connection with the marketing and sale of the Medigus Ultrasonic Surgical Endostapler. Under the Addendum, and subject to certain limitations as further set forth therein, Medigus transferred to us the patent families 33209, 29651, 34802, 11777 and 24994, each of which is further discussed below.

We currently have rights to a total of five (5) patent families, four of which we consider material to our business and operating success, and which include the following:

- Patent Family 29651 (Integrated Endoscope Irrigation): this patent relates to our ability to develop visualization components and endoscopes, which include irrigation with a smaller outer diameter by saving the space of the tube that is required to lead the fluids in the conventional manner. This patent has been granted in Canada, Europe (validated in Germany, Spain, France, Great Britain, Italy and Ireland), Israel, Japan and the United States, and has a pending continuation in part patent application in the United States. The expiration date for this patent in the United States patent is December 3<sup>rd</sup>, 2033 and in each of the other aforementioned jurisdictions, is February 28, 2033;
- Patent Family 11777 (Multiple View Endoscopes): this patent relates to our ability to develop visualization components and endoscopes, which include multiple cameras, especially ones that provide side views, and thereby improve the field of view of the visualization components or endoscopes and provide more information to the user. This patent has been granted and in force in Japan, Mexico, New Zealand and the United States. The expiration date for this patent in the United States is October 12<sup>th</sup>, 2021, and in each of the other aforementioned jurisdictions, is September 6, 2021;
- Patent Family 24994 (Small Diameter Medical Devices Containing Visualization Means): this patent relates to our ability to develop cameras, visualization components, and endoscopes with a smaller total outer diameter, thus enabling the insertion of the camera into smaller cavities or leaving more space in the device for the use and application of other functions, such as a working channel. This patent has been granted in Japan, Korea, Israel and the United States, Europe (validated in Germany, France, Great Britain and Italy) and also has patent assets pending an opposition appeal in Europe. The expiration dates for this patent in the United States are April 5, 2032 and March 10, 2031, respectively, and in each of the other aforementioned jurisdictions, is September 16, 2030;
- Patent Family 33209 (Camera Head): this patent relates to our ability to develop cameras, visualization components, and endoscopes with a smaller total outer diameter, by reducing the outer diameter of the electronic board on which the sensor is mounted, thus enabling the insertion of the camera into smaller cavities or leaving more space in the device for the use and application of other functions, such as a working channel. This patent has been granted in Israel and the United States, and is pending approval in Canada, Europe, Japan and a continuation in part patent application in the United States. The expiration date for this patent in Israel is June 11, 2035, and in each of the other aforementioned jurisdictions it is June 9, 2036; and
- Patent Family 34802 (Endoscope-Like Devices Comprising Sensors that Provide Positional Information): this patent relates to our ability to develop visualization components and endoscopes, which would provide the user with information concerning the spatial position and angulation of the device when the user is not maintaining eye contact with the device (or, at least, with its distal tip) due to its presence inside the cavity. Furthermore, this patent allows us to maintain the image in the same direction (e.g. “north-up”) despite the maneuvers of the device (as performed in cellular phones, for example). This patent is pending approval in Canada and Japan. The expiration date for this patent, in each of the aforementioned jurisdictions, is June 1, 2037.

### *Employment*

We currently have 32 full-time (or near full-time) employees. This number is expected to grow. We may recruit additional engineers to the R&D team, and recruit additional production employees to support an anticipated increase in production commitments to our customers.

### *Regulation*

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

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

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

Similarly, if a component part of ours is incorporated into an electronic device for the purpose of being used inside a human body, we ensure compliance with certain FDA requirements as well as IEC 60601 for safety and Electrostatic discharge, including the heating of parts at more than 42 degrees Celsius, as well as a variety of additional technical standards designed for the safety and essential performance of medical electrical equipment. Moreover, we perform risk management assessments in accordance with EN ISO 14971:2019 and ISO/TR 24971:2013.

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

### *Properties*

We do not own property and currently lease our principal corporate office, which is located at Suite 7A, Industrial Park, P.O. Box 3030, Omer, Israel 8496500. We believe our leased office sufficiently meets our current needs.

## ITEM 1A. RISK FACTORS

### Risks Related to Our Business, Operations and Financial Condition

*The COVID-19 pandemic has adversely affected, and will continue to adversely affect, our business, financial condition, liquidity and results of operations.*

The COVID-19 pandemic has resulted in a widespread health crisis that has adversely affected businesses, economies and financial markets worldwide, placed constraints on the operations of businesses, decreased consumer mobility and activity, and caused significant economic volatility in the United States, Israel and international capital markets. Our business has been affected in various ways, as discussed below, including in our operations, and we cannot predict the length and severity of the pandemic or its effects on us and our customers. We have followed guidance by the U.S. and Israeli governments and the other local governments in which we operate to protect our employees and our operations during the pandemic and have implemented a remote environment for certain of our employees, and, as a result, may experience inefficiencies in our employees' ability to collaborate. We have also experienced difficulty in our efforts to recruit and hire qualified personnel during this time. In addition, the COVID-19 pandemic has caused an economic recession, high unemployment rates and other disruptions, both in the United States, Israel and the rest of the world. Any of these impacts, including the prolonged continuation of these impacts, could adversely affect our business.

We cannot predict the other potential impacts of the COVID-19 pandemic on our business or operations, and there is no guarantee that any near-term trends in our results of operations will continue, particularly if the COVID-19 pandemic and the adverse consequences thereof continue for a long period of time. Additional waves of infections, a continuation of the current environment, or any further adverse impacts caused by the COVID-19 pandemic could further deteriorate employment rates and the economy, detrimentally affecting our consumer base and divert consumers' discretionary income to other uses, including for essential items. These events could adversely impact our cash flows, results of operations and financial conditions and heighten many of the other risks described in these "Risk Factors."

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

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

*Because of ScoutCam's limited operating history, we may not be able to successfully operate our business or execute our business plan.*

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

- the absence of a lengthy operating history;
- insufficient capital to fully realize our operating plan;
- expected continual losses for the foreseeable future;
- operating in multiple currencies;
- our ability to anticipate and adapt to a developing market(s);
- acceptance of our products by the medical community and consumers;
- acceptance of our products by the non-medical community and consumers;
- limited marketing experience;
- a competitive environment characterized by well-established and well-capitalized competitors;
- the ability to identify, attract and retain qualified personnel; and
- operating in an environment that is highly regulated by a number of agencies.

Furthermore, we have a history of losses, and we may not be able to generate sufficient revenues to achieve and sustain profitability, and as a result, there is substantial doubt about our ability to continue as a going concern following the fiscal year ended December 31, 2020.

Because we are subject to these risks, evaluating our business may be difficult, our business strategy may be unsuccessful and we may be unable to address such risks in a cost-effective manner, if at all. If we are unable to successfully address these risks our business could be harmed.

***Our commercial success depends upon the degree of market acceptance by the medical community as well as by other prospect markets and industries.***

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

- the cost, safety, efficacy/performance, and convenience of our technology and any commissioned product and any future product that we may develop in relation to alternative products;
- the ability of third parties to enter into relationships with us without violating their existing agreements;
- the effectiveness of our sales and marketing efforts;
- the strength of marketing and distribution support for, and timing of market introduction of, competing technology and products; and
- publicity concerning our technology or commissioned products or competing technology and products.

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

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

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

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

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

In the future, we may consider building a focused sales and marketing infrastructure to market any future developed products and potentially other product in the United States or elsewhere in the world. Similarly, we may consider evolving our business model in the future and adopting a business-to-consumer approach, or B2C. There are risks involved with establishing our own sales, marketing and distribution capabilities. For example, recruiting and training a sales force could be expensive and time consuming and could delay any product launch. This may be costly, and our investment would be lost if we cannot retain or reposition our sales and marketing personnel.

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

- our inability to recruit, train and retain adequate numbers of effective sales and marketing personnel;
- the inability of sales personnel to obtain access to potential customers;

- the lack of complementary products to be offered by sales personnel, which may put us at a competitive disadvantage relative to companies with more extensive product lines; and
- unforeseen costs and expenses associated with creating an independent sales and marketing organization.

If we are unable to establish our own sales, marketing and distribution capabilities or enter into successful arrangements with third parties to perform these services, our revenues and our profitability may be materially adversely affected.

In addition, we may not be successful in entering into arrangements with third parties to sell, market and distribute our products inside or outside of the United States or may be unable to do so on terms that are favorable to us. We likely will have little control over such third parties, and any of them may fail to devote the necessary resources and attention to sell and market our products effectively. If we do not establish sales, marketing and distribution capabilities successfully, either on our own or in collaboration with third parties, we will not be successful in commercializing our technologies or any future products we may develop.

***We depend on the success of micro ScoutCam™ for our revenue, which could impair our ability to achieve profitability.***

We plan to derive most of our future revenue from the development services of our imaging equipment and our flagship micro ScoutCam™ and through the engagement with target businesses that are interested in the commissioning of certain products using our technology. Our future growth and success is largely dependent on the successful commercialization of the micro ScoutCam™ technology. If we are unable to achieve increased commercial acceptance of the micro ScoutCam™ technology, or experience a decrease in the utilization of our product line or procedure volume, our revenue would be adversely affected.

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

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

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

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

Our cash balance as of December 31, 2020 was \$3.4 million. We may require additional funding to fund and grow our operations and to develop certain products. There can be no assurance that financing will be available in amounts or on terms acceptable to us, if at all. In the event we required additional capital, the inability to obtain additional capital will restrict our ability to grow and may reduce our ability to continue to conduct business operations. If we require and are unable to obtain additional financing, we will likely be required to curtail our development plans. In that event, current stockholders would likely experience a loss of most or all of their investment. Additional funding that we do obtain may be dilutive to the interests of existing stockholders.

***Our failure to effectively manage growth could impair our business.***

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

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

Our growth strategy may include strategic partners. The process to bring on, train and assist strategic partners is time-consuming and costly. We expect to expend significant resources to undertake business, financial and legal due diligence on both existing and potential partners, and there is no guarantee that these will be successful in ultimately increasing our business.

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

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

Our current manufacturing capabilities may not reach the required production levels necessary in order to meet growing demands for any products we may commission or future products we may develop. While we do intend to purchase a manufacturing facility in Israel in the future, such an engagement has not yet materialized and it is not clear at what point the Company will execute such an acquisition. In the interim, and prior to the purchase of a manufacturing facility by the Company, there can be no assurance that our commissioned products can be manufactured at our desired commercial quantities, in compliance with our requirements and at an acceptable cost. Any such failure could delay or prevent us from shipping said products and marketing our technologies in accordance with our target growth strategies.

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

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

***Our suppliers may not be able to always supply components or products to us on a timely basis and on favorable terms, and as a result, our dependency on third party suppliers can adversely affect our revenue.***

We will rely on our third-party suppliers for components and depend on obtaining adequate supplies of quality components on a timely basis with favorable terms to manufacture our commissioned products. Some of those components that we sell are provided to us by a limited number of suppliers. We will be subject to disruptions in our operations if our sole or limited supply contract manufacturers decrease or stop production of components or do not produce components and products of sufficient quantity. Alternative sources for our components will not always be available. Many of our components are manufactured overseas, so they have long lead times, and events such as local disruptions, natural disasters or political conflict may cause unexpected interruptions to the supply of our products or components.

It is our intention, as mentioned in the use of proceeds, to allocate financial resources to improve our inventory management, including establishing an inventory buffer of components appropriate to our business. However, we cannot assure that our attempt will be successful or that product or component shortages will not occur in the future. If we cannot supply commissioned products or future potentially developed products due to a lack of components, or are unable to utilize other components in a timely manner, our business will be significantly harmed. If inventory shortages continue, they could be expected to have a material and adverse effect on our future revenues and ability to effectively project future sales and operating results.

***We rely on highly skilled personnel, and, if we are unable to attract, retain or motivate qualified personnel, we may not be able to operate our business effectively.***

Our success depends in large part on continued employment of senior management and key personnel who can effectively operate our business, as well as our ability to attract and retain skilled employees. Competition for highly skilled management, technical, research and development and other employees is intense and we may not be able to attract or retain highly qualified personnel in the future. In making employment decisions, particularly in the job candidates often consider the value of the equity awards they would receive in connection with their employment. Our long-term incentive programs may not be attractive enough or perform sufficiently to attract or retain qualified personnel.

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

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

***We may have difficulty in entering into and maintaining strategic alliances with third parties.***

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

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

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

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

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

- misappropriation of our proprietary and confidential information, including technology, will nevertheless occur;
- our confidentiality agreements will not be honored or may be rendered unenforceable;



- third parties will independently develop equivalent, superior or competitive technology or products;
- disputes will arise with our current or future strategic licensees, customers or others concerning the ownership, validity, enforceability, use, patentability or registrability of intellectual property; or
- unauthorized disclosure of our know-how, trade secrets or other proprietary or confidential information will occur.

We cannot assure that we will be successful in protecting, maintaining or enforcing our intellectual property rights. If we are unsuccessful in protecting, maintaining or enforcing our intellectual property rights, then our business, operating results and financial condition could be materially adversely affected, which could

- adversely affect our reputation with customers;
- be time-consuming and expensive to evaluate and defend;
- cause product shipment delays or stoppages;
- divert management's attention and resources;
- subject us to significant liabilities and damages;
- require us to enter into royalty or licensing agreements; or
- require us to cease certain activities, including the sale of products.

If it is determined that we have infringed, violated or are infringing or violating a patent or other intellectual property right of any other person or if we are found liable in respect of any other related claim, then, in addition to being liable for potentially substantial damages, we may be prohibited from developing, using, distributing, selling or commercializing certain of our technologies unless we obtain a license from the holder of the patent or other intellectual property right. We cannot assure that we will be able to obtain any such license on a timely basis or on commercially favorable terms, or that any such licenses will be available, or that workarounds will be feasible and cost-efficient. If we do not obtain such a license or find a cost-efficient workaround, our business, operating results and financial condition could be materially adversely affected and we could be required to cease related business operations in some markets and restructure our business to focus on our continuing operations in other markets.

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

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

#### **Risks Related to Our Common Stock**

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

Our common stock is quoted on the OTCQB tier of the OTC Markets. Trading in securities quoted on the OTC Markets is often thin and characterized by wide fluctuations in trading prices, due to many factors, some of which may have little to do with our operations or business prospects. This volatility could depress the market price of our common stock for reasons unrelated to operating performance. Moreover, the OTC Markets is not a stock exchange, and trading of securities on the OTC Markets is often more sporadic than the trading of securities listed on a stock exchange like NASDAQ or the NYSE. Our common stock has a history of thin trading. During the 52-week period ended December 31, 2020, trades were only reported on 103 trading days. These factors may result in investors having difficulty reselling any shares of our common stock.

***Because we were a "shell company," Rule 144 is unavailable until one year has elapsed from the date that we have filed "Form 10 information" with the SEC, including current financial statements.***

Rule 144 provides, as indicated above, that sales of securities of a former shell company may only be made once the applicable waiting period has terminated and only if appropriate current information is available by the company and that it has filed all relevant periodic reports that it is required to file. Rule 144 will be unavailable to holders of restricted securities until one year has elapsed from the date that we filed "Form 10 information" (as defined in Rule 144) with the SEC along with audited financial statements. Once we become current, no assurance can be made that the Company will be able to remain current with its reports. In addition to the above, because we voluntarily file SEC reports with the SEC, following the one (1) year period discussed above, holders will not be permitted to rely on Rule 144 for sales of our shares, unless and until such time as we are mandatorily required under SEC laws, rules and regulations to file periodic reports with the SEC.



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

The market price of our common stock, par value \$0.001 per share, or Common Stock, may fluctuate significantly in response to numerous factors, some of which are beyond our control, such as:

- the announcement of new products or product enhancements by us or our competitors;
- developments concerning intellectual property rights;
- changes in legal, regulatory, and enforcement frameworks impacting our technology or the application of our technology;
- variations in our and our competitors' results of operations;
- fluctuations in earnings estimates or recommendations by securities analysts, if our Common Stock is covered by analysts;
- the results of product liability or intellectual property lawsuits;
- future issuances of Common Stock or other securities;
- the addition or departure of key personnel;
- announcements by us or our competitors of acquisitions, investments or strategic alliances; and
- general market conditions and other factors, including factors unrelated to our operating performance.

Further, the general stock market has recently experienced price and volume fluctuations. The volatility of our Common Stock could be further exacerbated due to low trading volume. Continued market fluctuations could result in extreme volatility in the price of our Common Stock, which could cause a decline in the value of our Common Stock and the loss of some or all of our investors' investment. Sales of shares of our Common Stock could also depress the then price of our shares.

***An investor's ability to trade our common stock may be limited by trading volume.***

The Company's shares are currently quoted on the OTCQB under the symbol "SCTC." An active trading market for our common stock has not developed, and may not develop, on the OTCQB. During the period subsequent to our upgrade from the OTC Pink Market to the OTCQB, which occurred on September 14, 2020 and until December 31, 2020, trades were only reported on 46 trading days. A limited trading volume may prevent our shareholders from selling shares at such times or in such amounts as they may otherwise desire.

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

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

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

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

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

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

In the future, we may issue additional authorized but previously unissued equity securities, resulting in the dilution of ownership interests of our present stockholders. For instance, pursuant to that certain Securities Exchange Agreement by and between Intellisense and Medigus, dated September 16, 2019, if ScoutCam achieves US\$33.0 million in sales in the aggregate within the first three years following December 30, 2019, the consummation date of such agreement, we will issue shares of Common Stock to Medigus representing 10% of our issued and outstanding share capital as of December 30, 2019. Similarly, we may issue a substantial number of shares of Common Stock or other securities convertible into or exercisable for Common Stock in connection with capital raising activity, hiring or retaining employees, future acquisitions, raising additional capital in the future to fund our operations, and other business purposes. We expect to authorize in the future a substantial number of shares of our Common Stock for issuance under a stock option or similar plan, and may issue equity awards to management, employees and other eligible persons. Additional shares of Common Stock issued by us in the future will dilute an investor's investment in the Company. In addition, we may seek stockholder approval to increase the amount of the Company's authorized stock, which would create the potential for further dilution of current investors.

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

As of March 28, 2021, our directors, executive officers, principal stockholders and affiliated entities may be deemed to beneficially own, in the aggregate, approximately 67.54% of our outstanding voting securities as of the date hereof. As a result, if some or all of such parties acted together, they would have the ability to exert substantial influence over the election of our board of directors and the outcome of issues requiring approval by our stockholders. This concentration of ownership may also have the effect of delaying or preventing a change in control of the Company that may be favored by other stockholders. This could prevent transactions in which stockholders might otherwise recover a premium for their shares over current market prices. This concentration of ownership and influence in management and board decision-making could also harm the price of our capital stock by, among other things, discouraging a potential acquirer from seeking to acquire shares of our capital stock (whether by making a tender offer or otherwise) or otherwise attempting to obtain control of our Company.

## **Risks Related to our Operations in Israel**

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

Our offices and management team are located in Israel. Accordingly, political, economic, and military conditions in Israel and the surrounding region may directly affect our business and operations. 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. In addition, Iran has threatened to attack Israel and may be developing nuclear weapons. Some of these hostilities were accompanied by missiles being fired from the Gaza Strip against civilian targets in various parts of Israel, including areas in which our employees and some of our consultants are located, and negatively affected business conditions in Israel. Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its trading partners could adversely affect our operations and results of operations.

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

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

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

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

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

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

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

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

Not applicable.

#### **ITEM 2. PROPERTIES**

We do not own property and currently lease our principal corporate office, which is located at Omer Industrial Park, No. 7A P.O. Box 3030, Omer 8496500. We believe our leased office sufficiently meets our current needs.

#### **ITEM 3. LEGAL PROCEEDINGS**

We are not aware of any pending legal proceedings to which we are a party, or to which any director, officer or affiliate of our Company, or any owner of record or beneficially of more than 5% of any class of our voting securities, is a party adverse to us or has a material interest adverse to us.

#### **ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.

### **PART II**

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

##### *Market Information*

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

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

##### *Holders*

As of December 31, 2020, there were 44 stockholders of record of our Common Stock and 36,756,983 shares of our Common Stock outstanding.

##### *Dividends*

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

## *Equity Compensation Plan Information*

### ***2020 Share Incentive Plan***

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

*Authorized Shares.* The maximum number of ordinary shares available for issuance under the 2020 Plan is equal to the sum of 9,422,440 shares, or such number as our board of directors may determine from time to time.

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

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

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

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

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

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

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

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

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

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

*Termination of Employment.* In the event of termination of a grantee's employment or service with the company or any of its affiliates, all vested and exercisable awards held by such grantee as of the date of termination may be exercised within three months after such date of termination, unless otherwise determined by the administrator. After such three month period, all such unexercised awards will terminate and the shares covered by such awards shall again be available for issuance under the 2020 Plan.

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

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

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

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

#### *Recent Sales of Unregistered Securities*

All of our recent sales of unregistered securities were previously reported on Form 8-K.

## *Issuer Purchases of Equity Securities*

During the period from January 1, 2020 to December 31, 2020, we did not purchase any of our equity securities.

## **ITEM 6. SELECTED FINANCIAL DATA**

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

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

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and the related notes appearing elsewhere in this Annual Report on Form 10-K. In addition to historical information, the following discussion contains forward-looking statements that involve risks, uncertainties and assumptions. See "Forward-looking Statements" for a discussion of the uncertainties and assumptions associated with these statements. Our actual results may differ materially from those discussed below.*

### *Overview*

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

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

Through ScoutCam Ltd., we are engaged in the development, production and marketing of innovative miniaturized imaging equipment, or our micro ScoutCam™ portfolio, for use in medical procedures as well as various industrial applications. We derive a substantial portion of our revenue from applications of our micro ScoutCam™ portfolio within the medical and industrial fields. We have recently begun examining additional applications for our micro ScoutCam™ portfolio outside of the medical device industry, including in, among others, the defense, aerospace, automotive, and industrial non-destructing-testing industries. We plan to further expand the activity in these non-medical spaces.

### **Going Concern**

The financial statements of the Company have been prepared assuming it will continue as a going concern. As discussed in the notes to the financial statements, the Company has incurred operating losses. These factors, among others, raise substantial doubt about its ability to continue as a going concern within one year after the date our accompanying consolidated financial statements are issued. Additionally, our independent registered public accounting firm included an explanatory paragraph in its report for the years ended December 31, 2020, regarding concerns about Company's ability to continue as a going concern within one year after the date our accompanying consolidated financial statements are issued.

### **Impact of COVID-19 Pandemic**

The COVID-19 pandemic has had a significant impact on global markets and the global economy, including countries in which the Company operates. As the extent of the impact on the global economy remains unclear, the Company anticipates that it will have a continuing impact on global economies in the near and long-term future. In light of the below mentioned factors, the COVID-19 pandemic had and most likely will continue to have a material effect on the Company's operations, and the extent to which the COVID-19 pandemic will impact the Company's operations will depend on future developments. In particular, the continued spread of COVID-19 globally had and most likely will continue to have material adverse impact on the Company's operations and workforce, including its manufacturing activities, product sales, as well as its ability to continue to raise capital. Travel restrictions had and most likely will continue to have a material adverse impact on our sales and marketing and research and development efforts.

### **Critical Accounting Policies and Estimates**

Our management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which we have prepared in accordance with generally accepted accounting principles in the United States, or U.S. GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported revenues and expenses during the reporting periods. We evaluate these estimates and judgments on an ongoing basis. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Our actual results may differ from these estimates under different assumptions or conditions.

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

## ***Significant Accounting Policies***

### **Basis of Presentation**

We have prepared the accompanying financial statements in accordance with U.S. GAAP. In our opinion, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the years ended December 31, 2020, 2019 and 2018 are not necessarily indicative of the results that may be expected for future years.

The accompanying financial statements are presented in U.S. dollars in conformity with U.S. GAAP and pursuant to the rules and regulations of the Securities and Exchange Commission.

The accompanying comparative consolidated financial statements include the historical accounts of ScoutCam as a “Carve-out Business”, a division of Medigus. Throughout the comparative periods included in these Financial Statements, the Carve-out Business operated as part of Medigus. Separate financial statements have not historically been prepared for the Carve-out Business.

These carve-out comparative financial statements have been prepared on a standalone basis and are derived from Medigus’s consolidated financial statements and accounting records. The carve-out comparative financial statements reflect ScoutCam’s financial position, results of operations, changes in net parent deficit and cash flows in accordance with U.S. GAAP.

The financial position, results of operations, changes in net parent deficit, and cash flows of the Carve-out Business may not be indicative of its results had it been a separate stand-alone entity during the comparative periods presented.

The comparative carve-out financial statements of the Company include expenses which were allocated from Medigus for certain functions, including general corporate expenses related to corporate strategy, procurement, Information Technology (IT), Human Resources (HR) and legal. These allocation have been made on the basis of direct usage when identifiable, with the remainder allocated on the basis of headcount. Management believes the expense allocation methodology and results are reasonable and consistently applied for all comparative periods presented. However, these allocations may not be indicative of the actual expenses that would have been incurred by an independent company or of the costs to be incurred in the future.

### **Use of Estimates**

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

### **Revenue Recognition**

#### ***Revenue Measurement***

Commencing on January 1, 2018, the Company’s revenues are measured according to the ASC 606, “Revenue from Contracts with Customers” (“ASC 606”). Under ASC 606, revenues are measured according to the amount of consideration that ScoutCam expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties, such as sales taxes. Revenues are presented net of VAT.

#### ***Revenue Recognition***

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

Performance obligations are satisfied over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits provided by ScoutCam’s performance; (b) ScoutCam’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) ScoutCam’s performance does not create an asset with an alternative use to ScoutCam and ScoutCam has an enforceable right to payment for performance completed to date.

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

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



#### *Product Revenue*

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

#### *Service Revenue*

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

There are no long-term payment terms or significant financing components of the Company's contracts.

The Company's contract payment terms for product and services vary by customer. The Company assesses collectibility based on several factors, including collection history.

#### **Accounts Receivable**

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

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

## Comparison of the Year Ended December 31, 2020 and the Year Ended December 31, 2019

### Overview

The Company's primary business activity during 2020 was the completion of R&D and the transition to the production stage with respect to a contract with a Fortune 500 Multinational Healthcare Corporation, while expanding the R&D team to enable additional projects in parallel. The main effect of this activity was the increase in the number of employees from 19 at the end of 2019 to 27 at the end of 2020 to enable the Company to manage the anticipated increased workload.

Other major activities in 2020 were the following:

- Expanding marketing activities, including the recruitment of a Director of Business Development in the US, and launching a multi-platform digital marketing campaign.
- Extensive activity around the Company's IP, including submissions of new patent applications as well as maintenance, defense, and commercialization efforts of existing patents.
- On December 30, 2019, upon the completion of the Exchange Agreement (as defined herein), the Company transitioned from a shell company to an operating company. This turn led to, among other, an increase in professional services (legal counsels, accountants, SOX consultants, etc.), fees and related costs in connection with ScoutCam Inc.'s post-Closing Date Board of Directors, increases in D&O insurance, etc.
- Increase in the operation expenses in order to improve the current Company's R&D capabilities.
- Investment in capital expenses to provide the necessary facilities, IT, and lab tools for the newly recruited employees and to upgrade the Company's production and quality control capabilities.

The following table summarizes our results of operations for the years ended December 31, 2020 and 2019, together with the changes in those items in dollars and as a percentage:

	2020	2019	% Change
Revenues	491,000	309,000	59%
Cost of Revenues	994,000	542,000	83%
Gross Loss	(503,000)	(233,000)	116%
Research and development expenses	725,000	274,000	165%
Sales and marketing expense	443,000	183,000	142%
General and administrative expenses	3,035,000	1,117,000	172%
Operating Loss	(4,706,000)	(1,807,000)	160%

### Revenues

For the year ended December 31, 2020, we generated revenues of \$491,000, an increase of \$182,000 or 59%, from 2019 revenues.

The increase in revenues was primarily due to the sale of products to A.M. Surgical (see Item 1). Total revenues recorded from A.M. Surgical during 2020 amounted to approximately \$383,000. Total revenues we recorded from A.M. Surgical during 2019 amounted to approximately \$85,000. This increase was partially offset by decrease in revenues to other customers due to:

- a) the COVID-19 pandemic impact on global markets and the global economy, including countries and industries in which the Company operates;
- b) most of the revenues for year ended December 31, 2019 were derived from sales of miniature camera and related equipment to occasional customers. The Company's management has decided to reduce sales to occasional customers and focus on larger projects. Our current business model is that of a B2B approach, in which we seek to identify target businesses interested in integrating our micro ScoutCam™ technology, or commissioning individual projects using our technology.

Remaining Performance Obligations ("RPO") represents contracted revenue that has not yet been recognized, which includes deferred revenue and amounts that will be invoiced and recognized as revenue in future periods. As of December 31, 2020, the total RPO amounted to \$2.9 million, which we expect to recognize over the expected manufacturing term of the product under development.

#### *Cost of Revenues*

Cost of revenues for the year ended December 31, 2020 were \$994,000, an increase of \$452,000, or 83%, compared to cost of revenues of \$542,000 for the year ended December 31, 2019.

The increase in cost of revenues was due to:

- a) Increase in revenues as described above;
- b) changes in products and services mix; and
- c) increase in payroll expenses as a result of hiring additional employees.

#### *Gross Loss*

Gross loss for the year ended December 31, 2020 was \$503,000, an increase of \$270,000 compared to a gross loss of \$233,000 for the year ended December 31, 2019. Gross loss is impacted by several factors, including shifts in product mix, sales volume, fluctuations in manufacturing costs, labor costs, and pricing strategies.

#### *Research and Development Expenses*

Research and development expenses for the year ended December 31, 2020, were \$725,000, an increase of \$451,000, or 165%, compared to \$274,000 for the year ended December 31, 2019. The increase was primarily due to a \$231,000 increase in payroll expenses and a \$205,000 increase in materials and subcontractors. The increase in payroll expenses resulted from an increase in share - based compensation expenses (see note 9 to our financial statements for the year ended December 31, 2020) and hiring additional employees. The increase in materials and subcontractors was primarily due to an increase in research and development activities as described under "Overview".

#### *Sales and Marketing Expenses*

Sales and marketing expenses for the year ended December 31, 2020, were \$443,000, an increase of \$260,000, or 142%, compared to \$183,000 for the year ended December 31, 2019. The increase was primarily due to an increase in marketing activities as described under "Overview".

#### *General and Administrative Expenses*

General and Administrative expenses for the year ended December 31, 2020, were \$3,035,000, an increase of \$1,918,000, or 172%, compared to \$1,117,000 for the year ended December 31, 2019. The increase was primarily due to a \$767,000 increase in payroll expenses, as a result of an increase in share - based compensation expenses (see note 9 to our financial statements for the year ended December 31, 2020) and hiring additional employees and a \$826,000 increase in professional services. The increase in professional services was primarily due to an increase in share - based compensation expenses, as result from the incorporation of the Subsidiary as an independent company and in connection with the execution of that certain securities exchange agreement involving the Subsidiary and increase in patent expenses as described under "Overview".

#### *Operating loss*

We incurred an operating loss of \$4,706,000 for the year ended December 31, 2020, an increase of \$2,899,000, or 160%, compared to operating loss of \$1,807,000 for the year ended December 31, 2019. The increase in operating results was due to an increase of \$270,000 in gross loss, an increase of \$451,000 in research and development expenses, an increase of \$260,000 in sales and marketing expenses and increase of \$1,918,000 in administrative and general expenses.

### Liquidity and Capital Resources

During 2020, we generated liquidity primarily from fund raising and warrant exercises as described at note 9 to our financial statements for the year ended December 31, 2020.

During 2020, we received proceeds from fund raising in the aggregate approximate amount of \$2.9 million, net of issuance expenses and \$1.7 million from warrants exercise.

As of December 31, 2020, our total assets were \$5,895,000. As of December 31, 2019, our total assets were \$4,757,000. The increase of assets was mainly due to an increase of contract fulfillment assets, increase of property and equipment and increase of other current assets. As of December 31, 2020, our total liabilities were \$1,931,000. As of December 31, 2019, our total liabilities were \$2,235,000. The decrease of liabilities was mainly due to a decrease of loan from Parent Company, decrease of other current expenses, partially offset by increase of contract liabilities and other accrued compensation expenses.

During the year ended December 31, 2020, we incurred losses of \$4,667,000 and negative cash flow from operating activities of approximately \$4,187,000. Based on the projected cash flows, our management is of the opinion that without further fundraising it will not have sufficient resources to enable it to continue its operating activities, including the development, manufacturing and marketing of its products for a period of at least 12 months from the financial statements issuance date. As a result, there is substantial doubt about our ability to continue as a going concern.

Management's plans include continuing commercialization of our products and securing sufficient financing through the sale of additional equity securities, debt or capital inflows from strategic partnerships and others. There are no assurances, however, that we will be successful in obtaining the level of financing needed for its operations. If we are unsuccessful in commercializing its products and securing sufficient financing, it may need to reduce activities, curtail or even cease operations.

### Cash Flows

The following table sets forth the significant sources and uses of cash for the periods set forth below (in dollars):

	2020	2019
Cash used in Operating Activity	(4,187,000)	(1,799,000)
Cash used in Investing Activity	(276,000)	(55,000)
Cash provided by Financing Activity	4,506,000	5,104,000

### Operating Activities

For the fiscal year ended December 31, 2020, net cash flows used in operating activities was \$4,187,000, due primarily to a net loss of \$4,667,000, change in operating asset and liabilities of approximately \$612,000, partially offset by share based compensation expenses (non-cash item) of approximately \$1,107,000.

### *Investing Activities*

For the fiscal year ended December 31, 2020, net cash flows used in investing activities was \$276,000, due primarily to purchase of property and equipment.

### *Financing Activities*

For the fiscal year ended December 31, 2020, net cash flows provided by financing activities was \$4,506,000, due primarily to proceeds from issuance of shares and warrants of approximately \$2,858,000 and proceeds from exercise from warrants of approximately \$1,729,000.

### ***Comparison of the Year Ended December 31, 2019 and the Year Ended December 31, 2018***

#### **Overview**

ScoutCam Ltd. was formed in Israel on January 3, 2019, as a wholly owned subsidiary of Medigus, and commenced operations on March 1, 2019. ScoutCam was incorporated as part of the Reorganization of Medigus, which was designed to distinguish ScoutCam's miniaturized imaging business, or the micro ScoutCam™ portfolio, from Medigus's other operations and to enable Medigus to form a separate business unit with dedicated resources focused on the promotion of such technology. In December 2019, Medigus and ScoutCam consummated an Amended and Restated Asset Transfer Agreement, which transferred and assigned certain assets and intellectual property rights related to its miniaturized imaging business.

On March 1, 2019, 12 employees moved from Medigus to ScoutCam. Prior to moving to ScoutCam, the salary costs of those employees were split among all of Medigus's activities (including the miniaturized imaging business activity). Hence, in the 2018 data provided below, most of the salary costs of these employees are not included. The vast majority of these employees were from the Production and R&D departments. Therefore, their transfer caused large changes in the data of these two line items.

The following table summarizes our results of operations for the years ended December 31, 2019 and 2018, together with the changes in those items in dollars and as a percentage:

	<b>2019</b>	<b>2018</b>	<b>% Change</b>
Revenues	309,000	391,000	(21)%
Cost of Revenues	542,000	221,000	145%
Gross Profit (Loss)	(233,000)	170,000	(237)%
Research and development expenses	274,000	183,000	50%
Sales and marketing expense	183,000	270,000	(32)%
General and administrative expenses	1,117,000	240,000	365%
Operating Loss	(1,807,000)	(523,000)	246%

#### *Revenues*

For the year ended December 31, 2019, ScoutCam generated revenues of \$309,000, a decrease of \$82,000 from 2018 revenues.

The tables below set forth our revenues by product:

	<b>2019</b>		<b>2018</b>	
<b>U.S. dollars; in thousands</b>				
Services	121	39.2%	217	55.5%
Miniature camera and related equipment	188	60.8%	174	44.5%
<b>Total</b>	<b>309</b>	<b>100%</b>	<b>391</b>	<b>100%</b>

The increase in revenues from miniature camera and related equipment was primarily due to an overall increase in the sales of the Company's products to occasional customers.

The decrease in revenues from services was primarily due to:

- (i) during the year ended December 31, 2018, we recorded revenues for development services provided to a customer in the amount of approximately \$130,000 (see 'Customer A' in note 11 to our financial statements for the year ended December 31, 2020). During year ended December 31, 2019 we recorded revenues for development services provided to this customer in the amount of approximately \$85,000; and
- (ii) during the year ended December 31, 2018, we recorded revenues for development services provided to a customer in the amount of approximately \$87,000 (see 'Customer B' in note 11 to our financial statements for the year ended December 31, 2020). We did not receive any revenue from development services from this customer during the year ended December 31, 2019.

#### *Cost of Revenues*

Cost of revenues for the year ended December 31, 2019 were \$542,000, an increase of \$321,000, or 145%, compared to cost of revenues of \$221,000 for the year ended December 31, 2018.

The increase in cost of revenues was due to:

- a) changes in products and services mix; and
- b) increase in payroll expenses and allocation of other expenses, as result of the Reorganization (as described under “Overview”) and allocating employees salaries from research and development line item to the cost of revenues line item due to the nature of their current work.

#### *Gross Profit (Loss)*

Gross loss for the year ended December 31, 2019 was \$233,000, a decrease of \$403,000 compared to a gross profit of \$170,000 for the year ended December 31, 2018. The decrease was primarily due to changes in profitability margins of the product and services mix and due to an increase in payroll expenses as described above.

#### *Research and Development Expenses*

Research and development expenses for the year ended December 31, 2019, were \$274,000, an increase of \$91,000, or 50%, compared to \$183,000 for the year ended December 31, 2018. The increase was primarily due to increase in payroll expenses, as result of the Reorganization. In 2018, the salary cost of R&D employees were split among all of Medigus’s activities. Hence, in the 2018 data provided above, most of the salary costs of these employees are not included.

#### *Sales and Marketing Expenses*

Sales and marketing expenses for the year ended December 31, 2019, were \$183,000, a decrease of \$87,000, or 32%, compared to \$270,000 for the year ended December 31, 2018. The decrease was primarily due to decrease in payroll expenses, due to the fact that one of the employees that was classified under sales and marketing in 2018 became the CEO in 2019 and his payroll expenses were not classified under S&M in 2019.

#### *General and Administrative Expenses*

General and Administrative expenses for the year ended December 31, 2019, were \$1,117,000, an increase of \$877,000, or 365%, compared to \$240,000 for the year ended December 31, 2018. The increase was primarily due to an increase in payroll expenses, as result of the Reorganization (as described under “Overview”) and an increase in professional services. The increase in professional services is due to establishing ScoutCam Ltd. as an independent company and due to the acquisition of ScoutCam Ltd.

#### *Operating loss*

We incurred an operating loss of \$1,807,000 for the year ended December 31, 2019, an increase of \$1,284,000, or 246%, compared to operating loss of \$523,000 for the year ended December 31, 2018. The increase in operating results was due to an increase of \$403,000 in gross loss, an increase of \$91,000 in research and development expenses, and increase of \$877,000 in administrative and general expenses partially offset by an \$87,000 decrease in sales and marketing expenses.

## Liquidity and Capital Resources

We generated liquidity primarily from Medigus and from fund raising as described at note 9 to our financial statements for the year ended December 31, 2020.

On June 3, 2019, Medigus executed a capital contribution into ScoutCam of an aggregate amount of US\$720,000.

On August 27, 2019, Medigus provided ScoutCam with a line of credit in the aggregate amount of US\$500,000, and, in exchange, ScoutCam granted Medigus a capital note that bears an annual interest rate of 4%. The repayment of the credit line amount shall be spread over one year in monthly payments beginning on the Closing Date. As of the Closing Date, ScoutCam has withdrawn the entire amount of the line of credit.

On December 30, 2019, the Company allotted in a private issuance, a total of 3,413,312 units at the price of USD \$0.968 per unit. Each unit was comprised of two shares of Common Stock, one Warrant A (defined below) and two Warrants B (defined below). The immediate proceeds (gross) from the issuance of the units amounted to approximately USD 3.3 million. Each Warrant A is exercisable into one share of Common Stock at an exercise price of USD 0.595 per share during the 12 month period following the allotment. Each Warrant B is exercisable into one share of Common Stock at an exercise price of USD 0.893 per share during the 18 month period following the allotment. In addition, a consultant of the Company, Shrem Zilberman Group Ltd. (the "Consultant") will be entitled to receive the amount representing 3% of any exercise price of each Warrant A or Warrant B that may be exercised in the future. In the event the total proceeds received as a result of exercise of Warrants A and B will be less than \$2 million at the time of their expiration, the Consultant will be required to invest \$250,000 in the Company.

As of December 31, 2019, our total assets were \$4,757,000. As of December 31, 2018, our total assets were \$516,000. The increase of assets was mainly due to an increase of cash and cash equivalents as a result of the private issuance as described above and increase of inventory. As of December 31, 2019, our total liabilities were \$2,235,000. As of December 31, 2018, our total liabilities were \$634,000. The increase of liabilities was mainly due to an increase of contract liabilities, a loan from Medigus, accrued compensation expenses and other accrued expenses.

During the year ended December 31, 2019, the Company incurred losses of \$1,829,000 and negative cash flow from operating activities of approximately \$1,799,000. Based on the projected cash flows, the Company's Management is of the opinion that without further fundraising it will not have sufficient resources to enable it to continue its operating activities, including the development, manufacturing and marketing of its products for a period of at least 12 months from the financial statements issuance date. As a result, there is substantial doubt about the Company's ability to continue as a going concern.

Management's plans include continuing commercialization of Company's products and securing sufficient financing through the sale of additional equity securities, debt or capital inflows from strategic partnerships and others. There are no assurances, however, that the Company will be successful in obtaining the level of financing needed for its operations. If the Company is unsuccessful in commercializing its products and securing sufficient financing, it may need to reduce activities, curtail or even cease operations.

### Cash Flows

The following table sets forth the significant sources and uses of cash for the periods set forth below (in dollars):

	2019	2018
Cash used in Operating Activity	(1,799,000)	(454,000)
Cash provided by (used in) Investing Activity	(55,000)	4,000
Cash provided by Financing Activity	5,104,000	450,000

### Operating Activities

For the fiscal year ended December 31, 2019, net cash flows used in operating activities was \$1,799,000, compared to net cash flows used in operating activities of \$454,000 for the fiscal year ended December 31, 2018, an increase of \$1,345,000. The change was mainly due to an increase in net loss, increase in inventory, and partially offset by increase in contract liability, increase in accrued compensation expenses and increase in other current expenses.

#### *Investing Activities*

For the fiscal year ended December 31, 2019, net cash flows used in investing activities was \$55,000, compared to net cash flows provided in investing activities of \$4,000 for the fiscal year ended December 31, 2018. The change was mainly due to purchase of property and equipment during 2019.

#### *Financing Activities*

For the fiscal year ended December 31, 2019, net cash flows provided by financing activities was \$5,104,000, compared to net cash flows provided by financing activities of \$450,000 for the fiscal year ended December 31, 2018. The change between the two periods is due to the fact that in 2019 we have transfer of assets to Medigus, capital contribution from Medigus, loan from Medigus and cash acquired in connection with the reverse merger.

#### **Future Funding Requirements**

We believe that it will require additional financing in order to provide the capital we need in order to hit our growth targets.

#### **Off-Balance Sheet Arrangements**

None.

### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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

### **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

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

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

Not applicable.

### **ITEM 9A. CONTROLS AND PROCEDURES**

#### *Disclosure Controls and Procedures*

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

Our management, including our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of December 31, 2020, the end of the period covered by this Annual Report on Form 10-K. Based on such evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of December 31, 2020.



### *Management's Report on Internal Control over Financial Reporting*

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. GAAP.

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.

Management evaluated the design and operating effectiveness of internal control over financial reporting based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO 2013").

### ***Remediation Efforts of Previously Disclosed Material Weaknesses***

As discussed in our 2019 Annual Report on Form 10-K, in connection with the audit of our financial statements for the year ended December 31, 2019, management and our independent registered public accounting firm identified a material weakness in our internal control over financial reporting.

In response to that material weakness, we implemented a remediation plan for the identified material weakness. As part of our remediation plan, during 2019 we recruited additional personnel with a requisite level of qualification and experience.

In addition, we reviewed our existing processes and controls in order to identify additional control deficiencies and designed new controls or adjusted the design of existing controls in order to improve our processes and controls. The new controls and the revised existing controls included controls to address the non-routine complex accounting issues. More specifically, there is a renewed emphasis on conducting the necessary procedures with the full internal accounting team and external consultants to review and research the proper guidance and approach toward the accounting, and documenting as such in a white paper or memo as needed.

Based on the above, and the results of testing conducted during the year ended December 31, 2020, we concluded that the identified material weakness was remediated as of December 31, 2020.

### *Attestation Independent Report of the Registered Public Accounting Firm*

This annual report on Form 10-K does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the SEC that permit the Company to provide only management's report in this annual report on Form 10-K.

### *Changes in Internal Control over Financial Reporting*

Except for the remediation of the previously identified material weakness discussed below, there were no other changes in internal control over financial reporting during the year ended December 31, 2020 that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

## **ITEM 9B. OTHER INFORMATION**

None.

## **PART III**

## **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

### *Directors, Executive Officers, Promoters and Control Persons*

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

Name	Age	Position
Prof. Benad Goldwasser <sup>†</sup>	70	Chairman of the Board
Shmuel Donnerstein <sup>†</sup>	68	Director
Ronen Rosenbloom	49	Director
Issac Zilberman	69	Director
Lior Amit	54	Director
Mori Arkin	68	Director
Dr. Yaron Silberman*	51	Chief Executive Officer (outgoing)
Yovav Sameah	48	Chief Executive Officer (incoming)
Tanya Yosef*	38	Chief Financial Officer
Amir Govrin*	54	Chief Technology Officer
Katrin Dlugach*	38	VP of Research and Development

\* Executive Officer

<sup>†</sup> Independent Director

## Directors

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

*Shmuel Donnerstein* has served on our board of directors since December 26, 2019. Mr. Donnerstein is the chairman and owner of the RB Group. Prior to that, in 1995 Mr. Donnerstein established Open Gallery Door Company, and in 1998 led its merger with Carmiel Timber Plants, which Mr. Donnerstein had acquired prior to the merger. Mr. Donnerstein managed the combined company until 2006. Earlier in his career, Mr. Donnerstein was owner and CEO of Motti Sweets from 1975 until it was acquired by the Strauss Group in 1983. In 2014, Mr. Donnerstein was awarded the Industry Prize from the Manufacturers' Association of Israel.

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

*Issac Zilberman* has served as a member of our board since December 26, 2019. From 2007 through the end of 2016, Mr. Zilberman also served as a special investment advisor at Sullam Holdings L.R. Ltd., a financial services corporation in the Lenny Recanati Group, focusing primarily on investments in high-tech, biotechnology and real estate companies. Mr. Zilberman also serves as a director in other private Israeli companies, and has over 20 years of prior experience as an executive officer of various public and private companies. Mr. Zilberman holds a BA in economics and accounting from Tel Aviv University in Tel Aviv, Israel, and he is a certified public accountant in Israel.

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

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

## Executive Officers

*Dr. Yaron Silberman* served as our Chief Executive Officer from December 27, 2019 until March 31, 2021, and has served as Chief Executive Officer of ScoutCam Ltd. from March 2019 until March 31, 2021. Prior to that, since January 2011, Dr. Silberman served as ScoutCam's VP Sales and Marketing. Dr. Silberman has served as Marketing Director of NiTi Surgical Solutions Ltd., and as Product Manager of Given Imaging Ltd. Dr. Silberman holds a PhD in Computational Neuroscience and Data Processing from Hebrew University of Jerusalem, Israel, an MBA from the College of Management Academic Studies of Rishon Le'Zion, Israel, and a BA in Theoretical Mathematics from The Technion Institute of Technology, Israel.

Dr. Yaron Silberman's employment with the Company was terminated on March 7, 2021, effective as of March 31, 2021.

*Mr. Yovav Sameah* will serve as Chief Executive Officer of the Company beginning April 15, 2021. Prior to his position with the Company, Mr. Sameah was the Chief Executive Officer of Frontline PCB Solutions, a non-public worldwide leading provider of Pre-Production and Industry 4.0 SW solutions in the PCB industry, and the subsidiary of KLA-Tencor Corp. (Nasdaq: KLAC). From September 2013 until July of 2015, Mr. Sameah was the Corporate Vice President and Chief Products Officer at Orbotech Ltd. (acquired by KLA-Tencor in February of 2019). Prior to that, Mr. Sameah held a variety of roles at Orbotech, including Vice President of Electronic Components Manufacturers Business (PCB Division) from September 2012 until September 2013, and Vice President AOI & Repair Product Line (PCB Division) from March 2008 until March 2012. Mr. Sameah holds both a BSc in chemical engineering and an MBA from Ben-Gurion University, Israel.

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

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

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

*Term of Office*

Our directors are elected for a term ending at the following annual meeting of the stockholders and serve until such director's successor is duly elected and qualified. Each executive officer serves at the pleasure of the board.

*Significant Employees*

We currently have no significant employees.

#### *Family Relationships*

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

#### *Involvement in Certain Legal Proceedings*

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

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

#### *Compliance with Section 16(a) of the Exchange Act*

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

#### *Code of Ethics*

We currently do not have a code of ethics applicable to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions as required by the Sarbanes-Oxley Act of 2002 due to our small size and limited resources and because management's attention has been focused on matters pertaining to raising capital and the operation of the business.

#### *Board Committees*

Currently, our board of directors does not have any audit, nominating or compensation committees, or committees performing similar functions.

## ITEM 11. EXECUTIVE COMPENSATION

### Summary Compensation Table

The following table sets out the compensation paid, for the year ended December 31, 2020, to the following Named Executive Officers:

- Dr. Yaron Silberman, the outgoing Chief Executive Officer of ScoutCam Inc. and the outgoing Chief Executive Officer of our wholly-owned subsidiary, ScoutCam Ltd.;
- Amir Govrin, the Chief Technology Officer of ScoutCam Inc. and of our wholly-owned subsidiary, ScoutCam Ltd.; and
- Katrin Dlugach, VP R&D of ScoutCam Inc. and of our wholly-owned subsidiary, ScoutCam Ltd.

Name and Principal Position	Year	Salary	Bonus	Stock Awards	Option Awards (*)	All Other Compensation	Total
\$ in thousands							
Dr. Yaron Silberman, Chief Executive Officer <sup>(1)</sup>	2020	\$ 198	\$ -	\$ -	\$ 167	\$ 20	\$ 385
Amir Govrin, Chief Technology Officer <sup>(2)</sup>	2020	\$ 168	\$ -	\$ -	\$ 111	\$ 21	\$ 300
Ms. Katrin Dlugach, VP R&D of ScoutCam Ltd. <sup>(3)</sup>	2020	\$ 156	\$ -	\$ -	\$ 51	\$ -	\$ 207

(1) Consists of Dr. Silberman's compensation earned in his capacity as the Chief Executive Officer of wholly-owned subsidiary, ScoutCam Ltd. Dr. Silberman did not earn any compensation in his capacity as the Chief Executive Officer of ScoutCam Inc.

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

(3) Consists of Ms. Katrin Dlugach compensation earned in his capacity as the Chief Technology Officer of our wholly-owned subsidiary, ScoutCam Ltd. Ms. Dlugach did not earn any compensation in her capacity as the VP R&D of ScoutCam Inc.

(\*) Represents the equity-based compensation expenses recorded in the Company's consolidated financial statements for the year ended December 31, 2020, based on the option's fair value, calculated in accordance with accounting guidance for equity-based compensation.

### Employment Agreements

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

### Outstanding Equity Awards

The following table provides information concerning unexercised options for each of our named executive officers, as that term is defined in Item 402(m)(2) of Regulation S-K as of our fiscal year end of December 31, 2020.

Name and Position	No. of Securities Underlying Unexercised Options (#) Exercisable	No. of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Vesting Schedule	Option Expiration Date
Dr. Yaron Silberman, Chief Executive Officer	291,460 -	374,735 314,081	0.29 0.29	(*) (**)	February 12, 2027 June 22, 2027
Ms. Tanya Yosef, Chief Financial Officer	116,584	149,894	0.29	(*)	February 12, 2027
Mr. Amir Govrin, Chief Technology Officer	233,168	299,788	0.29	(*)	February 12, 2027
Ms. Katrin Dlugach, VP R&D	83,274	183,204	0.29	(*)	February 12, 2027

(\*) 25% of the options granted will vest on the first anniversary, and 6.25% of the options will vest at the end of each subsequent three-month period thereafter over the course of the following three (3) years; and (iii) an acceleration mechanism pursuant to which any outstanding and unvested option shall immediately accelerate and vest upon the occurrence of certain events, including, inter alia, a merger or sale of all assets of the Company.

(\*\*) 33.33% of the options granted will vest on the first, and 8.33% of the options will vest at the end of each subsequent three-month period thereafter over the course of the following two (2) years; and (iii) an acceleration mechanism pursuant to which any outstanding and unvested option shall immediately accelerate and vest upon the occurrence of certain events, including, inter alia, a merger or sale of all assets of the Company.

### Retirement or Similar Benefit Plans

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

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

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

### Director Compensation

The following table sets out the compensation paid to directors for services rendered during the year ended December 31, 2020.

Name	Fees Earned or		Option Awards (*)	All Other Compensation	Total
	Paid in Cash	Stock Awards			
\$ in thousands					
Prof. Benad Goldwasser <sup>(1)(2)</sup>	\$ 110	\$ -	\$ 541	\$ -	\$ 651
Shmuel Donnerstein <sup>(3)</sup>	\$ 15	\$ -	\$ 49	\$ -	\$ 64
Ronen Rosenbloom <sup>(3)</sup>	\$ 15	\$ -	\$ 20	\$ -	\$ 35
Issac Zilberman <sup>(3)</sup>	\$ 15	\$ -	\$ 20	\$ -	\$ 35
Lior Amit <sup>(3)</sup>	\$ 15	\$ -	\$ 27	\$ -	\$ 35
Irit Yaniv <sup>(4) (5)</sup>	\$ 10	\$ -	\$ 13	\$ -	\$ 23

(1) Appointed as a director of ScoutCam Inc. on December 26, 2019, and served as Chairman of the Board of Directors of our wholly-owned subsidiary, ScoutCam Ltd., since its inception.

(2) On July 31, 2019, ScoutCam Ltd. and Prof. Benad Goldwasser entered into a consulting agreement, whereby Prof. Goldwasser agreed to serve as chairman of the board of directors of ScoutCam Ltd., effective retroactively to March 1, 2019, in consideration for, *inter alia*, a monthly fee of \$10,000 and options representing 5% of our fully-diluted share capital as of the Closing Date.

(3) Appointed as a director of ScoutCam Inc. on December 26, 2019.

(4) Appointed as a director of ScoutCam Inc. on May 18, 2020.

(5) On February 14, 2021, Dr. Irit Yaniv tendered her resignation as a member of the Board of Directors and our wholly-owned subsidiary, ScoutCam Ltd. On February 15, 2021, the Board of Directors appointed Mr. Moshe (Mori) Arkin to serve as a member of the Board of Directors and to fill the vacancy immediately following the resignation of Dr. Irit Yaniv.

(\*) Represents the equity-based compensation expenses recorded in the Company's consolidated financial statements for the year ended December 31, 2020, based on the option's fair value, calculated in accordance with accounting guidance for equity-based compensation.

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

### Security Ownership of Certain Beneficial Owners and Management

The table below provides information regarding the beneficial ownership of our Common Stock as of March 28, 2021, of (i) each of our current directors, (ii) each of the Named Executive Officers, (iii) all of our current directors and officers as a group, and (iv) each person or entity known to us who owns more than 5% of our Common Stock.

The percentage of Common Stock beneficially owned is based on 38,073,022 shares of Common Stock outstanding as of March 28, 2021. The number and percentage of shares beneficially owned by a person or entity also include shares of Common Stock issuable upon exercise of warrants that are currently exercisable or will become exercisable within 60 days of March 28, 2021. However, these shares are not deemed to be outstanding for the purpose of computing the percentage of shares beneficially owned of any other person or entity.

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

Name and Address of Beneficial Owner	Title of Class	Amount and Nature of Beneficial Ownership <sup>(1)</sup>	Percent of Class
Prof. Benad Goldwasser <sup>(2)</sup>	Common Stock	2,092,359	5.26%
Shmuel Donnerstein <sup>(3)</sup>	Common Stock	1,082,104	2.81%
Ronen Rosenbloom <sup>(4)</sup>	Common Stock	48,069	*
Isaac Zilberman <sup>(5)</sup>	Common Stock	48,069	*
Lior Amit <sup>(6)</sup>	Common Stock	48,069	*
Dr. Irit Yaniv	Common Stock	-	-
Moshe (Mori) Arkin <sup>(7)</sup>	Common Stock	-	*
Dr. Yaron Silberman <sup>(8)</sup>	Common Stock	333,097	*
Yovav Sameah	Common Stock	-	*
Tanya Yosef <sup>(9)</sup>	Common Stock	133,239	*
Amir Govrin <sup>(10)</sup>	Common Stock	266,478	*
Katrin Dlugach <sup>(11)</sup>	Common Stock	116,584	*
Directors and officers as a group (12 individuals)		4,168,068	10.11%
Medigus Ltd. <sup>(12)</sup>	Common Stock	18,099,630	46.11%
M. Arkin (1999) Ltd. <sup>(13)</sup>	Common Stock	10,330,580	23.51%

\* Less than 1%.

- (1) Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Each of the beneficial owners named in the table have, to our knowledge, direct ownership of and sole voting and investment power with respect to the shares of Common Stock beneficially owned by them.
- (2) Consists of 395,464 shares of Common Stock, options to purchase 1,490,088 shares of Common Stock and warrants to purchase 206,807 shares of Common Stock, which are currently exercisable or will become exercisable within 60 days of March 28, 2021.
- (3) Consists of 620,421 shares of Common Stock, options to purchase 48,069 shares of Common Stock and warrants to purchase 413,614 shares of Common Stock, which are currently exercisable or will become exercisable within 60 days of March 28, 2021.
- (4) Consists of 48,069 option to purchase shares of Common Stock, which are currently exercisable or will become exercisable within 60 days of March 28, 2021.
- (5) Consists of 48,069 option to purchase shares of Common Stock, which are currently exercisable or will become exercisable within 60 days of March 28, 2021.
- (6) Consists of 48,069 option to purchase shares of Common Stock, which are currently exercisable or will become exercisable within 60 days of March 28, 2021.
- (7) Mr. Moshe Arkin is the sole shareholder and sole director of M. Arkin (1999) Ltd. and may therefore be deemed to be the indirect beneficial owner of the shares of Common Stock and warrants to purchase shares of Common Stock owned directly by M. Arkin (1999) Ltd.
- (8) Consists of 333,097 option to purchase shares of Common Stock, which are currently exercisable or will become exercisable within 60 days of March 28, 2021.
- (9) Consists of 133,239 option to purchase shares of Common Stock, which are currently exercisable or will become exercisable within 60 days of March 28, 2021.
- (10) Consists of 266,478 option to purchase shares of Common Stock, which are currently exercisable or will become exercisable within 60 days of March 28, 2021.
- (11) Consists of 116,584 option to purchase shares of Common Stock, which are currently exercisable or will become exercisable within 60 days of March 28, 2021.
- (12) Consists of 16,918,423 shares of Common Stock and warrants to purchase 1,181,207 shares of Common Stock, which are currently exercisable or will become exercisable within 60 days of March 28, 2021.
- (13) Consists of 4,468,367 shares of Common Stock and 5,862,213 warrants to purchase shares of Common Stock, which are currently exercisable or will become exercisable within 60 days of March 28, 2021.



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

#### *Related Party Transactions*

On June 3, 2019, Medigus executed a capital contribution into ScoutCam Ltd. for an aggregate amount of \$720,000.

On July 31, 2019, ScoutCam Ltd. and Prof. Benad Goldwasser entered into a consulting agreement, whereby Prof. Goldwasser agreed to serve as chairman of the board of directors of ScoutCam Ltd., effective retroactively to March 1, 2019, in consideration for, *inter alia*, a monthly fee of \$10,000 and options representing 5% of our fully-diluted share capital as of the Closing Date.

On August 27, 2019, Medigus provided ScoutCam Ltd. with a line of credit in the aggregate amount of US\$500,000, and, in exchange, ScoutCam Ltd. granted Medigus a capital note that bears an annual interest rate of 4%. The repayment of the credit line amount is spread over one year in monthly payments beginning on the Closing Date, being January 2020. As of December 31, 2019, ScoutCam Ltd. withdrew the entire amount of the line of credit.

On September 3, 2019, a certain Asset Transfer Agreement by and between ScoutCam Ltd. and Medigus dated May 28, 2019 became effective, whereby, *inter alia*, ScoutCam Ltd. transferred certain assets to Medigus representing an aggregate amount of \$168,000. Under the terms of the Amended and Restated Asset Transfer Agreement, Medigus transferred certain intellectual property rights and licenses, collectively representing an aggregate of \$9.8 million.

On September 16, 2019, Intellisense and Medigus entered into the Exchange Agreement, pursuant to which Medigus assigned, transferred and delivered 100% of its holdings in ScoutCam Ltd. to Intellisense, in exchange for consideration consisting of shares of the Company's common stock representing 60% of the issued and outstanding share capital of the Company immediately upon the Closing Date. The Exchange Agreement was conditioned on certain obligations by the respective parties, including, but not limited to, the Company having no less than \$3 million in cash on hand upon the Closing Date, and that the Company bear the costs and expenses in connection with the execution of the Exchange Agreement. The Exchange Agreement provided that if ScoutCam Ltd. achieves an aggregate amount of \$33 million in sales within the first three years immediately after the Closing Date, the Company will issue to Medigus 2,688,492 shares of the Company's common stock, which represents 10% of the Company's issued and outstanding share capital as of the Closing Date.

On December 1, 2019, Medigus and ScoutCam Ltd. entered into that certain Amended and Restated Asset Transfer Agreement, which transferred and assigned certain assets and intellectual property rights related to its miniaturized imaging business. Under the Amended and Restated Asset Transfer Agreement, Medigus transferred two patent families to ScoutCam Ltd. in exchange for a perpetual, transferable, worldwide, royalty free, sub licensable license, to access and use the transferred patent families in connection with the development, marketing and sale of the Medigus Ultrasonic Surgical Endostapler. In addition, Medigus granted us a non-exclusive license to access, use, improve, develop, market and sell licensed intellectual property, including the right to any future versions, enhancements, improvements and derivative works of such licensed intellectual property in connection with the development and commercialization of the ScoutCam miniature video technology.

As a condition of the aforementioned license, Medigus is prohibited from selling, offering to sell or grant any ownership right in the licensed intellectual property to any potential direct competitor of ScoutCam Ltd. In addition, ScoutCam Ltd. is obligated to provide Medigus with consultancy and support services for no consideration, on matters relating to the management, development, maintenance and commercialization of Medigus' patent portfolio. The Amended and Restated Asset Transfer Agreement is for an indefinite term and it was contractually permissible to terminate the agreement pursuant to the mutual written consent of the parties prior to closing.

Also on December 1, 2019, ScoutCam Ltd. and Medigus entered into that certain License Agreement granting ScoutCam Ltd. a perpetual, non-exclusive, transferable solely upon an M&A Event (as defined therein), royalty free, license to access, use, improve, develop either by or on behalf of ScoutCam Ltd., market and sell the licensed patent family, including the right to any future versions, enhancements, improvements and derivative works of the licensed intellectual property for the purpose of developing and commercializing the ScoutCam miniature video technology. As a condition to the agreement, Medigus is prohibited from selling, offering to sell or grant any ownership right in the licensed intellectual property to any potential direct competitor of ScoutCam Ltd.

The patent family licensed under the License Agreement includes know-how which was funded through benefits and incentives provided by the IIA. As a result of such funding, the patent family is subject to certain restrictions and obligations pursuant to the Innovation Law. The restrictions applicable to patent family licensed pursuant to the License Agreement require approval of the IIA prior to manufacturing products resulting from IIA funded know-how outside of Israel, prior to the transfer of IIA funded know-how out of Israel and prior to a grant of the license out of Israel in connection with the IIA funded know-how. In addition, ScoutCam Ltd. is obligated to notify the IIA of any change of control and of any non-Israeli entity which becomes an "Interested Party" as defined in the Israeli Companies Law, 5759-1999, as amended. An Interested Party includes a shareholder holdings 5% or more of a company's issued and outstanding share capital, an entity entitled to appoint a director or the chief executive officer of a company as well as the directors and chief executive officer of a company.

On December 10, 2019, ScoutCam Ltd. and Shrem Zilberman Group Ltd. (the "Consultant") entered into a consulting agreement whereby in exchange for certain consulting services, the Consultant received, among other things, an aggregate flat fee of \$165,000 and an amount representing 3% of any exercise price related to those warrants issued as part of that certain Securities Purchase Agreement executed by and between the Company and those investors listed therein (the "Purchase Agreement"). Additionally, in the event the total proceeds received as a result of exercise of warrants issued in connection with the Purchase Agreement will be less than \$2 million at the time of their expiration, the Consultant will be required to invest \$250,000 in the Company.

On March 15, 2020, the Company's Board of Directors approved, among other things, a quarterly fee of \$4,000 payable to each of the Company's currently serving directors, excluding Professor Benad Goldwasser.

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

On May 18, 2020, in connection with the Arkin Transaction (as defined below), the Company, Medigus and Arkin (as defined below), entered into the Letter Agreement, whereby, provided the Company obtains certain regulatory approvals described therein, Medigus and the Company agreed to amend certain terms of the Amended and Restated Asset Transfer Agreement and the License Agreement, thereby transferring outright certain patent assets from Medigus to the Company; provided, however, that in the event the Company neglects the foregoing patent assets, the Company must transfer back ownership of the patent assets to Medigus for no additional consideration and absent any additional contingencies.

Also on May 18, 2020, and in connection with the Arkin Transaction, the Company, Medigus and Arkin entered into a Voting Agreement, pursuant to which Arkin and Medigus each agreed to vote their respective shares of Common Stock in favor of the election of the opposite party's designated representative(s), as applicable, to the Board. Each of Arkin's and Medigus' rights under the Voting Agreement are contingent upon, inter alia, such party maintaining a certain beneficial ownership threshold in the Company, as defined therein.

On June 23, 2020, the Company and Medigus entered into a certain Conversion Side Letter, pursuant to which the Company converted US\$381,136 worth of outstanding credit previously extended by Medigus to the Company, which amount, as of the date thereof, included interest accrued thereon. In accordance with the terms of the Conversion Side Letter, the Company issued to Medigus, at a purchase price of US\$0.968, (a) 787,471 shares of Common Stock, (b) warrants to purchase 393,736 shares of Common Stock at an exercise price of US\$0.595, and (c) warrants to purchase 787,471 shares of Common Stock at an exercise price of US\$0.893.

In November 2020, the Company and certain of warrant holders, including Professor Benad Goldwasser and M. Arkin (1999) Ltd., executed an amendment to warrants issued in connection with the Purchase Agreement, pursuant to which the parties agreed to remove the restrictions on transferability originally imposed on said warrants. As of December 31, 2020, warrants to purchase 902,271 shares of Common Stock were transferred in accordance with the foregoing amendment.

During 2020, the Company's Board of Directors authorized the allotment of options to purchase 2,863,854 shares of Common Stock to Prof. Benad Goldwasser, our Chairman of the Board, and an aggregate of 3,625,318 options to purchase shares of Common Stock to additional directors and certain officers of the Company. See also note 9 to our financial statements for year ended December 31, 2020.

#### *Policies and Procedures for Related Party Transactions*

Our board of directors is responsible for approving all related party transactions. Given our small size and limited financial resources, we have not adopted formal policies and procedures for the review, approval or ratification of transactions with our related persons. We intend to establish formal policies and procedures in the future, once we have sufficient resources and have appointed additional directors, so that such transactions will be subject to the review, approval or ratification of our board of directors, or an appropriate committee thereof.

### *Director Independence*

We currently have two independent directors on our board of directors, Professor Benad Goldwasser and Mr. Shmuel Donnerstein. We are not currently subject to listing requirements of any national securities exchange, which generally stipulates certain requirements that a majority of a company's board of directors be classified as "independent". As a result, we are not at this time required to have our board of directors comprised of a majority of "independent directors". Notwithstanding the foregoing, we have voluntarily adopted the definition of "independent" as defined under Nasdaq Rule 5605(a)(2), and believe Professor Goldwasser and Mr. Donnerstein qualify accordingly.

### **ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

#### *Independent Public Accounting Firm*

On February 9, 2020, the Registrant's board of directors appointed Kesselman & Kesselman, a member of PricewaterhouseCoopers International Limited as the Registrant's independent public accounting firm for the fiscal year ended December 31, 2019. MaloneBailey LLP served as the Registrant's independent public accounting firm since 2013.

On May 24, 2020, the Board of Directors resolved to replace Kesselman & Kesselman, a member of PricewaterhouseCoopers International Limited, with Brightman Almagor Zohar & Co., a firm in the Deloitte global network, to serve as the Company's new independent registered public accounting firm for the fiscal year ending December 31, 2020.

#### *Audit and Accounting Fees*

The following table sets forth the fees billed to our Company for professional services rendered by (i) MaloneBailey LLP, an independent registered public accounting firm, for the fiscal year-ended December 31, 2019, and the fiscal year ended March 31, 2019, (ii) Kesselman & Kesselman, a member of PricewaterhouseCoopers International Limited for the fiscal year ended December 31, 2019, and (iii) Brightman Almagor Zohar & Co., a firm in the Deloitte global network for the fiscal year ended December 31, 2020:

Services	Year Ended December 31, 2020	Year Ended December 31, 2019
	\$ in thousands	
Audit fees <sup>(1)</sup>	\$ 106	\$ 173 <sup>(2)</sup>
Tax fees <sup>(3)</sup>	5	10
All other fees	-	-
<b>Total fees</b>	<b>\$ 111</b>	<b>\$ 183</b>

(1) Audit fees consist of audit and review services, consents and review of documents filed with the SEC.

(2) Audit Fees consists of \$16 thousands in connection with the services rendered by MaloneBailey LLP, and \$157 thousands in connection with the services rendered by Kesselman & Kesselman, a member of PricewaterhouseCoopers International Limited.

(3) Tax fees consist of preparation of federal and state tax returns.

Audit fees consist of fees for professional services rendered for the audit of our annual financial statements and review of financial statements included in our quarterly reports on Form 10-Q.

#### *Audit Committee Administration of Engagement*

We have not yet established an audit committee. Until then, there are no formal pre-approval policies and procedures with respect to the engagement of an accountant for audit or non-audit services. Nonetheless, the auditors engaged for these services are required to provide and uphold estimates for the cost of services to be rendered.

## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Exhibit No.	Exhibit Description
3.1.1	<a href="#"><u>Articles of Incorporation (incorporated by reference to Exhibit 3.1 to our Registration Statement on Form S-1 filed with the SEC on May 29, 2013)</u></a>
3.1.2	<a href="#"><u>Certificate of Amendment to the Articles of Incorporation (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed with the SEC on January 2, 2020)</u></a>
3.1.3*	<a href="#"><u>Certificate of Amendment to the Articles of Incorporation, effective as of February 5, 2021</u></a>
3.2	<a href="#"><u>Bylaws (incorporated by reference to Exhibit 3.2 to our Registration Statement on Form S-1 filed with the SEC on May 29, 2013)</u></a>
4.1	<a href="#"><u>Description of the Registrant's Securities (incorporated by reference to Exhibit 4.1 to our Annual Report on Form 10-K filed with the SEC on March 16, 2020)</u></a>
10.1	<a href="#"><u>Securities Exchange Agreement, dated September 16, 2019, by and between our Company and Medigus Ltd. (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on September 17, 2019)</u></a>
10.2	<a href="#"><u>Form of Securities Purchase Agreement, dated December 26, 2019, by and between our Company, ScoutCam Ltd., and certain investors listed therein (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed with the SEC on December 31, 2019)</u></a>
10.3	<a href="#"><u>Form of Escrow Agreement, dated December 26, 2019, by and between our Company, ScoutCam Ltd., Altshuler Shaham Trusts Ltd., and those certain investors that are a party to the Securities Purchase Agreement dated December 26, 2019 (incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K filed with the SEC on December 31, 2019)</u></a>
10.4	<a href="#"><u>Form of Warrant A by and between our Company and those certain investors that are a party to the Securities Purchase Agreement dated December 30, 2019 (incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K filed with the SEC on December 31, 2019)</u></a>
10.5	<a href="#"><u>Form of Warrant B by and between our Company and those certain investors that are a party to the Securities Purchase Agreement dated December 30, 2019 (incorporated by reference to Exhibit 10.5 to our Current Report on Form 8-K filed with the SEC on December 31, 2019)</u></a>
10.6	<a href="#"><u>Form of Registration Rights Agreement, dated December 26, 2019, by and between our Company and those certain investors that are a party to the Securities Purchase Agreement dated December 26, 2019 (incorporated by reference to Exhibit 10.6 to our Current Report on Form 8-K filed with the SEC on December 31, 2019)</u></a>
10.7	<a href="#"><u>Amended and Restated Asset Transfer Agreement, by and between ScoutCam Ltd. and Medigus Ltd., dated December 1, 2019 (incorporated by reference to Exhibit 10.7 to our Current Report on Form 8-K filed with the SEC on December 31, 2019)</u></a>
10.8+	<a href="#"><u>Consulting Agreement by and between ScoutCam Ltd. and Prof. Benad Goldwasser, dated July 31, 2019 (incorporated by reference to Exhibit 10.8 to our Current Report on Form 8-K filed with the SEC on December 31, 2019)</u></a>
10.9	<a href="#"><u>Consulting Agreement by and between ScoutCam Ltd. and Shrem Zilberman Group Ltd., dated December 10, 2019 (incorporated by reference to Exhibit 10.9 to our Annual Report on Form 10-K filed with the SEC on March 16, 2020)</u></a>
10.10	<a href="#"><u>2020 Share Incentive Plan (incorporated by reference to Exhibit 10.10 to our Annual Report on Form 10-K filed with the SEC on March 16, 2020)</u></a>
10.11	<a href="#"><u>Form of Notice of Option Grant and Option Agreement (incorporated by reference to Exhibit 10.11 to our Annual Report on Form 10-K filed with the SEC on March 16, 2020)</u></a>
10.12	<a href="#"><u>Form of Securities Purchase Agreement, dated March 3, 2020, by and among ScoutCam Inc. and certain investors listed therein (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on March 5, 2020)</u></a>
10.13	<a href="#"><u>Form of Registration Rights Agreement, dated March 3, 2020, by and among ScoutCam Inc. and those certain investors that are a party to the Securities Purchase Agreement dated March 3, 2020 (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed with the SEC on March 5, 2020)</u></a>

10.14	<a href="#">Form of Warrant A, by and among ScoutCam Inc. and those certain investors that are a party to the Securities Purchase Agreement dated March 3, 2020 (incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K filed with the SEC on March 5, 2020)</a>
10.15	<a href="#">Form of Warrant B, by and among ScoutCam Inc. and those certain investors that are a party to the Securities Purchase Agreement dated March 3, 2020 (incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K filed with the SEC on March 5, 2020)</a>
10.16	<a href="#">Intercompany Services Agreement, by and between Medigus Ltd. and ScoutCam Ltd., dated May 30, 2019 (incorporated by reference to Exhibit 10.16 to our Form S-1 filed with the SEC on May 12, 2020)</a>
10.17	<a href="#">Amended and Restated Intercompany Services Agreement, by and between Medigus Ltd. and ScoutCam Ltd., dated April 20, 2020 (incorporated by reference to Exhibit 10.17 to our Form S-1 filed with the SEC on May 12, 2020)</a>
10.18	<a href="#">Patent License Agreement, by and between Medigus Ltd. and ScoutCam Ltd., dated December 1, 2019*** (incorporated by reference to Exhibit 10.18 to our Form S-1 filed with the SEC on May 12, 2020)</a>
10.19+	<a href="#">Employment Agreement, by and between ScoutCam Ltd. and Yaron Silberman, dated February 28, 2019 (incorporated by reference to Exhibit 10.19 to our Form S-1 filed with the SEC on May 12, 2020)</a>
10.20+	<a href="#">Employment Agreement, by and between ScoutCam Ltd. and Amir Govrin, dated May 1, 2019 (incorporated by reference to Exhibit 10.20 to our Form S-1 filed with the SEC on May 12, 2020)</a>
10.21*+	<a href="#">Employment Agreement, by and between ScoutCam Ltd. and Tanya Yosef, dated January 14, 2021</a>
10.22*+	<a href="#">Employment Agreement, by and between ScoutCam Ltd. and Katrin Dlugach, dated July 1, 2019</a>
10.23	<a href="#">Securities Purchase Agreement, dated May 18, 2020, by and between ScoutCam Inc. and M. Arkin (1999) Ltd. (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on May 19, 2020)</a>
10.24	<a href="#">Registration Rights Agreement, dated May 18, 2020, by and between ScoutCam Inc. and M. Arkin (1999) Ltd. (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed with the SEC on May 19, 2020)</a>
10.25	<a href="#">Voting Agreement, dated May 18, 2020, by and among ScoutCam Inc. Medigus Ltd. and M. Arkin (1999) Ltd. (incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K filed with the SEC on May 19, 2020)</a>
10.26	<a href="#">Letter Agreement, dated May 18, 2020, by and among ScoutCam Inc., ScoutCam Ltd., Medigus Ltd. and M. Arkin (1999) Ltd. (incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K filed with the SEC on May 19, 2020)</a>
10.27	<a href="#">Form of Warrant A by and between ScoutCam Inc. and M. Arkin (1999) Ltd. (incorporated by reference to Exhibit 10.5 to our Current Report on Form 8-K filed with the SEC on May 19, 2020)</a>
10.28	<a href="#">Form of Warrant B by and between ScoutCam Inc. and M. Arkin (1999) Ltd. (incorporated by reference to Exhibit 10.6 to our Current Report on Form 8-K filed with the SEC on May 19, 2020)</a>
10.29	<a href="#">Side Letter Agreement, dated June 23, 2020, by and between ScoutCam Inc. and Medigus Ltd. (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on June 24, 2020)</a>
10.30	<a href="#">Form of Warrant A by and between ScoutCam Inc. and Medigus Ltd. (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed with the SEC on June 24, 2020)</a>
10.31	<a href="#">Form of Warrant B by and between ScoutCam Inc. and Medigus Ltd. (incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K filed with the SEC on June 24, 2020)</a>
10.32*	<a href="#">Form of Amendment to Warrant to Purchase Shares of Common Stock</a>
10.33+	<a href="#">Employment Agreement, by and between Yovav Sameah and ScoutCam Ltd. (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on March 8, 2021)</a>
21.1	<a href="#">Subsidiaries of the Registrant (incorporated by reference to Exhibit 21.1 to our Current Report on Form 8-K filed with the SEC on December 31, 2019)</a>
31.1*	<a href="#">Section 302 Certification under the Sarbanes-Oxley Act of 2002 of the Principal Executive Officer and Principal Financial Officer</a>
32.1*	<a href="#">Section 906 Certification under the Sarbanes-Oxley Act of 2002 of the Principal Executive Officer and Principal Financial Officer</a>
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

\* Filed herewith.

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

+ Management contract or compensatory plan or arrangement.

## SIGNATURES

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

### SCOUTCAM INC.

By: /s/ Yaron Silberman  
Name: Yaron Silberman  
Title: Chief Executive Officer  
Date: March 31, 2021

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Yaron Silberman</u> Yaron Silberman	Chief Executive Officer (Principal Executive Officer)	March 31, 2021
<u>/s/ Tanya Yosef</u> Tanya Yosef	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 31, 2021
<u>/s/ Benad Goldwasser</u> Benad Goldwasser	Chairman of the Board	March 31, 2021
<u>/s/ Shmuel Donnerstein</u> Shmuel Donnerstein	Director	March 31, 2021
<u>/s/ Ronen Rosenbloom</u> Ronen Rosenbloom	Director	March 31, 2021
<u>/s/ Issac Zilberman</u> Issac Zilberman	Director	March 31, 2021
<u>/s/ Lior Amit</u> Lior Amit	Director	March 31, 2021
<u>/s/ Mori Arkin</u> Mori Arkin	Director	March 31, 2021

SCOUTCAM INC. (Formerly known as Intellisense Solutions Inc.)  
CONSOLIDATED FINANCIAL STATEMENTS

SCOUTCAM INC. (Formerly known as Intellisense Solutions Inc.)

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of ScoutCam Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of ScoutCam Inc. and its subsidiary (the “Company”) as of December 31, 2020 and the related consolidated statements of operations, shareholders’ equity (capital deficiency), and cash flows for the year ended December 31, 2020, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and the results of its operations and its cash flows for the year ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

### Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1B to the financial statements, the Company’s accumulated losses and the additional funds needed to maintain its operations raise substantial doubt about its ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 1B. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

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

### Critical Audit Matter

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

#### *Development Services Revenue and Contract Liabilities – Refer to Note 2J and Note 10 to the Consolidated Financial Statements*

##### *Critical Audit Matter Description*

The Company generates revenues from development services. The Company determines at contract inception whether development services are distinct from the performance obligation to manufacture the product under development. Revenues from development services that are determined as not distinct from the performance obligation to manufacture the product under development are deferred until commencement of manufacturing and are recognized over the manufacturing term. During 2020, all development services revenues billed have been deferred and recorded as contract liabilities (representing the majority of the contract liabilities balance of \$848,000 as of December 31, 2020) and the respective service costs have been deferred and recorded as contract fulfillment assets (\$1,130,000 as of December 31, 2020), as the development services were determined as not distinct from the performance obligation to manufacture the product under development.

We identified the assessment of whether development services were a distinct performance obligation and the impact on the timing of revenue recognition as a critical audit matter. Evaluating whether development services should be accounted for separately required judgment and increased audit effort in comparison to our audit as a whole, because of the complexity of the technical accounting analysis and due to the magnitude of the related contract liabilities as of December 31, 2020.

##### *How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the Company’s determination of the performance obligations and the timing of revenue recognition for development service contracts included the following, among others:

- We read the agreements and analyzed the terms of the Company’s development service contracts.
- We read communications between the Company and its clients relating to development services contracts.
- We inquired of Company research and development personnel to understand the commercial facts and circumstances relating to development services contracts.
- We evaluated the Company’s interpretation and application of the relevant requirements of generally accepted accounting principles in relation to the development services contracts and the related contract liabilities.

*Brightman Almagor Zohar & Co.*



Certified Public Accountants  
A Firm in the Deloitte Global Network

Tel Aviv, Israel

March 31, 2021

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



## **Report of Independent Registered Public Accounting Firm**

To the Shareholders and Board of Directors of ScoutCam Inc.

### ***Opinion on the Financial Statements***

We have audited the accompanying consolidated balance sheet of ScoutCam Inc. and its subsidiary (the "Company") as of December 31, 2019, and the related consolidated statements of operations, of changes in shareholders' equity (capital deficiency) and of cash flows for each of the two years in the period ended December 31, 2019, including the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America.

### ***Substantial Doubt about the Company's Ability to Continue as a Going Concern***

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1(b) to the consolidated financial statements, the Company has suffered recurring losses from operations and cash outflows from operating activities that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1(b). The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### ***Basis for Opinion***

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

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

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

/s/ Kesselman & Kesselman

Certified Public Accountants (Isr.)

A member firm of PricewaterhouseCoopers International Limited

Tel-Aviv, Israel

March 16, 2020

We served as the Company's auditor from 2019 to 2020.

## SCOUTCAM INC. (Formerly known as Intellisense Solutions Inc.)

## CONSOLIDATED BALANCE SHEETS

	December 31,	
	2020	2019
	USD in thousands	
Assets		
CURRENT ASSETS:		
Cash and cash equivalents	3,373	3,245
Accounts receivable	17	22
Inventory	244	900
Receivable from Parent Company	47	73
Other current assets	348	78
Total current assets	4,029	4,318
NON-CURRENT ASSETS:		
Contract fulfillment assets	1,130	-
Property and equipment, net	269	59
Operating lease right-of-use assets	107	53
Severance pay asset	360	327
Total non-current assets	1,866	439
TOTAL ASSETS	5,895	4,757
Liabilities and shareholders' equity		
CURRENT LIABILITIES:		
Accounts payable	79	35
Contract liabilities	69	502
Operating lease liabilities - short term	60	24
Accrued compensation expenses	369	297
Loan from Parent Company	-	500
Other accrued expenses	195	552
Total current liabilities	772	1,910
NON-CURRENT LIABILITIES:		
Contract liabilities	779	-
Operating lease liabilities - long term	47	29
Liability for severance pay	333	296
Total non-current liabilities	1,159	325
TOTAL LIABILITIES	1,931	2,235
SHAREHOLDERS' EQUITY:		
Ordinary shares Common stock, \$0.001 par value; 75,000,000 shares authorized, 36,756,983 and 26,884,921 shares issued and outstanding as of December 31, 2020 and 2019, respectively	37	27
Additional paid-in capital	10,234	4,135
Accumulated deficit	(6,307)	(1,640)
TOTAL SHAREHOLDERS' EQUITY	3,964	2,522
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	5,895	4,757

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

## SCOUTCAM INC. (Formerly known as Intellisense Solutions Inc.)

## CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31,		
	2020	2019	2018
	USD in thousands (except per share data)		
<b>REVENUES (*):</b>			
PRODUCTS	491	188	174
SERVICES	-	121	217
	491	309	391
<b>COST OF REVENUES:</b>			
PRODUCTS	994	421	104
SERVICES	-	121	117
	994	542	221
<b>GROSS PROFIT (LOSS)</b>	(503)	(233)	170
RESEARCH AND DEVELOPMENT EXPENSES	725	274	183
SALES AND MARKETING EXPENSES	443	183	270
GENERAL AND ADMINISTRATIVE EXPENSES	3,035	1,117	240
OPERATING LOSS	(4,706)	(1,807)	(523)
FINANCING INCOME (EXPENSES), NET	41	(20)	**
LOSS BEFORE TAXES ON INCOME	(4,665)	(1,827)	(523)
TAXES ON INCOME	(2)	(2)	(1)
NET LOSS	(4,667)	(1,829)	(524)
Net loss per ordinary share (basic and diluted, in USD)	(0.15)	(0.11)	(0.03)
Weighted average ordinary shares (basic and diluted, in thousands)	31,753	16,190	16,131

\* As for revenues related to transaction with the Parent Company – see Note 11

\*\* Less than 1 thousand

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

SCOUTCAM INC. (Formerly known as Intellisense Solutions Inc.)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CAPITAL DEFICIENCY)

	Ordinary shares		Additional paid-in capital	Accumulated deficit	Total Shareholders' equity (Capital deficiency)
	Shares in thousands	amount	USD in thousands		
Balance at January 1, 2020	26,885	\$ 27	4,135	(1,640)	2,522
Issuance of shares and warrants	6,092	\$ 6	2,852	-	2,858
Exercise of warrants	2,993	\$ 3	1,726	-	1,729
Stock based compensation	-	-	1,141	-	1,141
Conversion of loan from Parent Company	787	\$ 1	380	-	381
Net loss	-	-	-	(4,667)	(4,667)
Balance at December 31, 2020	36,757	\$ 37	10,234	(6,307)	3,964

	Ordinary shares		Additional paid-in capital	Parent Company deficit	Accumulated deficit	Total Shareholders' equity (Capital deficiency)
	Shares in thousands	amount	USD in thousands			
Balance at January 1, 2019	16,131	16	(16)	(118)	-	(118)
Net transfer from Parent Company	-	-	-	514	-	514
Net loss	-	-	-	(189)	(1,640)	(1,829)
Consummation of the carve-out	-	-	207	(207)	-	-
Capital contribution from Parent Company	-	-	720	-	-	720
Sale of assets to Parent Company	-	-	168	-	-	168
Effect of reverse recapitalization	10,754	11	3,029	-	-	3,040
Share based compensation	-	-	27	-	-	27
Balance at December 31, 2019	26,885	27	4,135	-	(1,640)	2,522

	Ordinary shares		Additional paid-in capital	Parent Company deficit	Total Shareholders' equity (Capital deficiency)
	Shares in thousands	amount	USD in thousands		
Balance at January 1, 2018	16,131	16	(16)	(117)	(117)
Net transfer from Parent Company	-	-	-	523	523
Net loss	-	-	-	(524)	(524)
Balance at December 31, 2018	16,131	16	(16)	(118)	(118)

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

## SCOUTCAM INC. (Formerly known as Intellisense Solutions Inc.)

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2020	2019	2018
	USD in thousands		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net loss	(4,667)	(1,829)	(524)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>			
Depreciation	66	6	5
Share based compensation	1,107	27	25
Loss (profit) from exchange differences on cash and cash equivalents	(85)	5	-
Other non-cash items	4	(10)	1
<b>CHANGES IN OPERATING ASSET AND LIABILITY:</b>			
Accounts receivable	5	68	(85)
Decrease (increase) in inventory	693	(819)	(25)
Other current assets	(270)	(16)	(62)
Account payables	44	16	-
Contract fulfillment assets	(1,130)	-	-
Contract liability	346	302	192
Accrued compensation expenses	72	166	(13)
Receivable from Parent Company	(15)	(73)	-
Other accrued expenses	(357)	358	32
Net cash flows used in operating activities	(4,187)	(1,799)	(454)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property and equipment	(276)	(52)	-
Change in severance pay asset	-	(3)	4
Net cash flows generated from (used in) investing activities	(276)	(55)	4
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from issuance of shares and warrants	2,858	-	-
Proceeds from exercise of warrants	1,729	-	-
Repayment of loan from Parent Company	(81)	-	-
Transfer from Parent Company	-	514	450
Sale of assets to Parent Company	-	168	-
Capital contribution from Parent Company	-	720	-
Loan from Parent Company	-	500	-
Cash obtained in connection with Recapitalization Transaction	-	3,202	-
Net cash flows provided by financing activities	4,506	5,104	450
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	43	3,250	-
<b>BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	3,245	-	-
<b>PRPFITS (LOSSES) FROM EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS</b>	85	(5)	-
<b>BALANCE OF CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	3,373	3,245	-

Non cash activities -

	Year ended December 31,		
	2020	2019	2018
	USD in thousands		
Loan from Parent Company settled against receivable from Parent Company	41	-	-
Conversion of a loan from Parent Company	381	-	-

## SUPPLEMENTAL INFORMATION FOR CASH FLOW:

	As of December 30, 2019
<b>Assets acquired (liabilities assumed):</b>	
Current assets excluding cash and cash equivalents	\$ -
Current liabilities	(73)
Recapitalization Transaction costs	(89)
Reverse recapitalization effect on equity	(3,040)
<b>Cash obtained in connection with Recapitalization Transaction</b>	<b>\$ 3,202</b>

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

SCOUTCAM INC. (Formerly known as Intellisense Solutions Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – GENERAL:

- a. ScoutCam Inc. (the “Company”), formerly known as Intellisense Solutions Inc. (“Intellisense”), was incorporated under the laws of the State of Nevada on March 22, 2013. The Company was initially engaged in the business of developing web portals to allow companies and individuals to engage in the purchase and sale of vegetarian food products over the Internet. The Company was unable to execute its original business plan, develop significant operations or achieve commercial sales. Prior to the closing of the Securities Exchange Agreement (as defined below), the Company was a “shell company”.

ScoutCam Ltd. (the “Subsidiary”, “ScoutCam”), was formed in the State of Israel on January 3, 2019 as a wholly-owned subsidiary of Medigus Ltd. (the “Parent Company”, “Medigus”), an Israeli company traded both on the Nasdaq Capital Market and the Tel Aviv Stock Exchange, and commenced operations on March 1, 2019. Upon incorporation, the Subsidiary issued to Medigus 1,000,000 ordinary shares with no par value. On March 2019, the Subsidiary issued to Medigus an additional 1,000,000 ordinary shares with no par value.

The Subsidiary was incorporated as part of a reorganization of Medigus, which was designed to distinguish the Subsidiary’s miniaturized imaging business, or the micro ScoutCam™ portfolio, from Medigus’s other operations and to enable Medigus to form a separate business unit with dedicated resources focused on the promotion of such miniaturized imaging business. In December 2019, Medigus and the Subsidiary consummated a certain Amended and Restated Asset Transfer Agreement, under which Medigus transferred and assigned certain assets and intellectual property rights related to its miniaturized imaging business to the Subsidiary.

On September 16, 2019, Intellisense entered into a Securities Exchange Agreement (the “Exchange Agreement”), with Medigus, pursuant to which Medigus assigned, transferred and delivered 100% of its holdings in the Subsidiary to Intellisense, in exchange for consideration consisting of shares of Intellisense’s common stock representing 60% of the issued and outstanding share capital of Intellisense immediately upon the closing of the Exchange Agreement (the “Closing”). In addition, the Exchange Agreement provides that if ScoutCam achieves an aggregated amount of USD 33 million in sales within the first three years immediately after the Closing, the Company will issue to Medigus 2,688,492 additional shares of Company’s common stock. The Closing occurred on December 30, 2019 (the “Closing Date”). On December 31, 2019, Intellisense changed its name to ScoutCam Inc.

Although the transaction resulted in the Subsidiary becoming a wholly owned subsidiary of Intellisense, the transaction constituted a reverse recapitalization since Medigus, the only shareholder of the Subsidiary prior to the Exchange Agreement, was issued a majority of the outstanding capital stock of Intellisense upon consummation of the Exchange Agreement, and also taking into account that prior to the Closing Date, Intellisense was considered as a shell corporation. Accordingly, the Subsidiary is considered the accounting acquirer of the merged company.

“Group” - the Company together with ScoutCam.

The Subsidiary has developed a range of micro CMOS (complementary metal-oxide semiconductor) and CCD (charge-coupled device) video cameras, including micro ScoutCam™ 1.2. These innovative cameras are suitable for both medical and industrial applications. Based on its proprietary technology, the Subsidiary designs and manufactures endoscopy and micro camera systems for partner companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 1 – GENERAL** (continued):

- b. During the year ended December 31, 2020, the Company incurred a loss of USD 4,667 thousand and negative cash flows from operating activities of approximately USD 4,187 thousand. Based on the projected cash flows, the Company's Management is of the opinion that without further fundraising it will not have sufficient resources to enable it to continue its operating activities including the development, manufacturing and marketing of its products within one year after the issuance date of these consolidated financial statements. As a result, there is a substantial doubt about the Company's ability to continue as a going concern within one year after the issuance date of these financial statements.

Management did not take into account the proceeds from the private placement (see note 13c), because the closing of the private placement didn't occur as of the date of issuance of these financial statements.

Management's plans include continuing commercialization of the Company's products and securing sufficient financing through the sale of additional equity securities, debt or capital inflows from strategic partnerships and other opportunities. There are no assurances however, that the Company will be successful in obtaining the level of financing needed for its operations. If the Company is unsuccessful in commercializing its products and securing sufficient financing, it may need to reduce activities, curtail or even cease operations.

These consolidated financial statements have been prepared assuming the Company will continue as a going concern, which assumes the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. Accordingly, the consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

- c. The COVID-19 pandemic has had a significant impact on global markets and the global economy, including countries in which the Company operates. As the extent of the impact on the global economy remains unclear, the Company anticipates that it will have a continuing impact on global economies in the near and long-term future. In light of the below mentioned factors, the COVID-19 pandemic had and most likely will continue to have a material effect on the Company's operations, and the extent to which the COVID-19 pandemic will impact the Company's operations will depend on future developments. In particular, the continued spread of COVID-19 globally had and most likely will continue to have material adverse impact on the Company's operations and workforce, including its manufacturing activities, product sales, as well as its ability to continue to raise capital. Travel restrictions had and most likely will continue to have a material adverse impact on Company's sales and marketing and research and development efforts.



SCOUTCAM INC. (Formerly known as Intellisense Solutions Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES:**

**a. Basis of preparation:**

The accounting treatment for the Exchange Agreement was as a reverse recapitalization of ScoutCam, for financial accounting and reporting purposes. As such, ScoutCam Ltd. is treated as the acquirer for accounting and financial reporting purposes while the Company is treated as the acquired entity for accounting and financial reporting purposes. As a result, the comparative figures that are reflected in the Company's financial statements are those of ScoutCam and from the Closing Date, the Company's assets, liabilities and results of operations are consolidated with the assets, liabilities and results of operations of ScoutCam.

The consolidated financial statements reflect the Company's financial position, results of operations, changes in shareholders equity (capital deficiency) and cash flows in accordance with generally accepted accounting principles in the United States ("U.S. GAAP").

The accompanying comparative financial statements include the historical accounts of ScoutCam as a "Carve-out Business", a division of Medigus. Throughout the comparative periods included in these financial statements, the Carve-out Business operated as part of Medigus. Separate financial statements have not historically been prepared for the Carve-out Business.

These comparative carve-out financial statements have been prepared on a standalone basis and are derived from Medigus's consolidated financial statements and accounting records. The carve-out comparative financial statements reflect ScoutCam's financial position, results of operations, changes in net Parent Company deficit and cash flows in accordance with U.S. GAAP.

The financial position, results of operations, changes in net parent deficit, and cash flows of the Carve-out Business may not be indicative of its results had it been a separate stand-alone entity during the comparative periods presented.

The comparative carve-out financial statements of the Company include expenses which were allocated from Medigus for certain functions, including general corporate expenses related to corporate strategy, procurement, Information Technology ("IT"), Human Resources ("HR") and legal. These allocation have been made on the basis of direct usage when identifiable, with the remainder allocated on the basis of headcount. Management believes the expense allocation methodology and results are reasonable and consistently applied for all comparative periods presented. However, these allocations may not be indicative of the actual expenses that would have been incurred by an independent company or of the costs to be incurred in the future.

The carve-out comparative financial statements include assets and liabilities specifically attributable to the Carve-out Business. Transfers of cash between Carve-out Business and Medigus are included within "Transfers from Parent Company" on the Statements of Cash Flows and the Statements of changes in shareholder's equity (capital deficiency).

As the carve-out comparative financial statements have been prepared on a carve-out basis, the amounts reflected in Parent Company deficit in the comparative statement of changes in shareholder's equity (capital deficiency) refer to net loss for the period attributed to ScoutCam.

SCOUTCAM INC. (Formerly known as Intellisense Solutions Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES** (continued):

**b. Use of estimates**

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

**c. Functional currency**

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

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

**d. Cash and Cash Equivalents**

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

**e. Accounts receivable**

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

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

As of December 31, 2020 and 2019, no allowance for doubtful accounts was recorded.

**f. Property and equipment**

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

The annual depreciation rates are as follows:

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

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):**

**g. Severance pay**

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

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

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

**h. Stock-Based Compensation**

The Company measures and recognizes compensation expense for its equity classified stock-based awards, including option awards exercisable into shares of common stock of the Parent Company under its plan based on estimated fair values on the grant date. The Company calculates the fair value of option awards on the grant date using the Black-Scholes option pricing model. The Black-Scholes option-pricing model requires a number of assumptions, of which the most significant are the stock price volatility and the expected option term. For the years ended December 31, 2019, and 2018, the volatility was based on the historical stock volatility of the Parent Company. The Company's expected dividend rate is zero since the Company does not currently pay cash dividends on its stocks and does not anticipate doing so in the foreseeable future. Each of the above factors requires the Company to use judgment and make estimates in determining the percentages and time periods used for the calculation. If the Company were to use different percentages or time periods, the fair value of option awards could be materially different. The Company recognizes stock-based compensation cost for option awards on an accelerated basis over the employee's requisite service period, net of estimated forfeitures.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):**

**i. Inventories**

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

The cost is determined on the basis of “first in-first out” basis. Cost of purchased raw materials and inventory in process includes costs of design, raw materials, direct labor, other direct costs and fixed production overheads. Materials and other supplies held for use in the production of inventories are not written down if the finished products in which they will be incorporated are expected to be sold at or above cost.

The Company regularly evaluates its ability to realize the value of inventory based on a combination of factors including the following: forecasted sales or usage, estimated current and future market values.

**j. Revenue recognition**

**a) Revenue measurement**

Commencing January 1, 2018, the Company’s revenues are measured according to the ASC 606, “Revenue from Contracts with Customers” (“ASC 606”). Under ASC 606, revenues are measured according to the amount of consideration that the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties, such as VAT taxes. Revenues are presented net of VAT.

**b) Revenue recognition**

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES** (continued):

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

*Product Revenue*

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

*Service Revenue*

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

There are no long-term payment terms or significant financing components of the Company’s contracts.

The Company’s contract payment terms for product and services vary by customer. The Company assesses collectibility based on several factors, including collection history.

**k. Cost of revenues**

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

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

**l. Research and development costs**

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

**m. Income taxes**

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

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

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

**NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES** (continued):

**n. Legal contingencies**

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

**o. Loss per share**

Basic loss per share is computed by dividing net loss, by the weighted average number of ordinary shares as described below.

In computing the Company's diluted earnings per share, the numerator used in the basic earnings per share computation is adjusted for the dilutive effect, if any, of the Company's potential common stock. The denominator for diluted earnings per share is a computation of the weighted-average number of ordinary shares and the potential dilutive shares common stock outstanding during the period.

The loss per share information in these consolidated financial statements is reflected and calculated as if the Company had existed since January 1, 2018. Accordingly, loss per share for all periods was calculated based on the number of ordinary shares retroactively adjusted for the exchange ratio determined in the reverse recapitalization (see also note 3).

**p. Leases**

The Company determines if an arrangement contains a lease at inception. Company's leases do not contain any residual value guarantees or material restrictive covenants.

The rate implicit in most of Company's leases are not reasonably determinable, therefore we use our incremental borrowing rate based on the information available at the commencement date to determine the present value of the future lease payments.

Certain of Company's leases include variable costs. Variable costs include non-lease components that were incurred based upon actual terms rather than contractually fixed amounts. In addition, variable costs are incurred for lease payments that are indexed to a change in rate or index. Because the ROU asset recorded on the balance sheet was determined based upon factors considered at the commencement date, subsequent changes in the rate or index that were not contemplated in the ROU asset balances recorded on the balance sheets result in variable expenses being incurred when paid during the lease term. See Note 12.

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

**SCOUTCAM INC.** (Formerly known as Intellisense Solutions Inc.)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 3 - REVERSE RECAPITALIZATION**

On December 30, 2019, Intellisense and Medigus completed the Exchange Agreement. The accounting treatment for the Exchange Agreement was as a reverse recapitalization transaction. Pursuant to the Exchange Agreement, Intellisense issued to Medigus 16,130,952 shares. Upon such issuance, ScoutCam became a wholly-owned subsidiary of Intellisense. On December 31, 2019, Intellisense Solutions Inc. changed its name to ScoutCam Inc.

Immediately prior to the Closing Date the Company's outstanding common stock was comprised of 3,927,346 shares of common stock \$0.001 par value, of which 1,352,666 shares were issued immediately prior to the Closing Date as part of the conversion of promissory notes to related parties and the exercise of warrants by related parties, employees and service providers.

Also, on the Closing Date, 3,413,312 units, each comprised of two shares of common stock par value USD 0.001 per share, one Warrant A (as defined below) and two Warrants B (as defined below), were issued to investors as part of the financing transaction that the Company was obligated to secure prior to the Closing. The immediate gross proceeds from the issuance of the units amounted to approximately USD 3.3 million.

Each Warrant A was exercisable into one share of common stock of the Company at an exercise price of USD 0.595 per share during the 12 month period from the date of issuance. Each Warrant B is exercisable into one share of common stock of the Company at an exercise price of USD 0.893 per share during the 18 month period from the date of issuance.

During 2020, 2,992,855 Warrants A were exercised. 420,457 unexercised Warrants A expired on December 30, 2020.

While ScoutCam Inc. was the legal acquirer, ScoutCam was treated as the acquiring company for accounting purposes as the Exchange Agreement was accounted for as a reverse recapitalization which is equivalent to the issuance of 10,753,969 shares by ScoutCam for the net monetary assets of ScoutCam Inc. As a result, the financial statements of the Company prior to the Closing Date are the historical financial statements of ScoutCam Ltd. The financial statements of the Company after the Closing Date reflect the results of the operations of ScoutCam Ltd. and ScoutCam Inc. on a combined basis. The net acquired assets of the Company as of the Closing Date was \$3,040 thousands. There were no fair value adjustments necessary to perform as the carrying values of the net acquired assets approximated fair value. Further, given the nature of the operations of ScoutCam Inc. prior to the Closing Date, there were no intangible assets, including goodwill, established as a result of the Exchange Agreement.

Under the Exchange Agreement, the number of shares of common stock and USD amount for common stock is based on the nominal value and the shares of common stock issued by ScoutCam Inc. (reflecting the legal structure of ScoutCam Inc. as the legal acquirer) on the Closing Date plus shares of common stock issued by ScoutCam Inc. as part of the Exchange Agreement as described above. Historical stockholders' equity reflects the accounting acquirer, except for share number and USD amount adjusted for the shares exchange ratio pursuant to the Exchange Agreement amounting to 8.065.

SCOUTCAM INC. (Formerly known as Intellisense Solutions Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 4 - INVENTORY:**

Composed as follows:

	December 31,	
	2020	2019
	USD in thousands	
Raw materials and supplies	45	24
Work in progress	-	316
Finished goods	278	560
Inventory write downs	(79)	-
	<u>244</u>	<u>900</u>

During the year ended 2019, no impairment occurred.

**NOTE 5 - PROPERTY AND EQUIPMENT, NET:**

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

	December 31,	
	2020	2019
	USD in thousands	
Cost:		
Machinery and laboratory equipment	285	87
Leasehold improvements, office furniture and equipment	36	25
Computers and computer software	87	20
	<u>408</u>	<u>132</u>
Less: accumulated depreciation	(139)	(73)
Total property and equipment, net	<u>269</u>	<u>59</u>

Depreciation expenses were USD 66 thousand, USD 6 thousand and USD 5 thousand in the years ended December 31, 2020, 2019 and 2018, respectively.

**NOTE 6 – OTHER ACCRUED EXPENSES:**

	December 31,	
	2020	2019
	USD in thousands	
Unpaid recapitalization transaction costs	-	89
IRS (see note 7b)	73	73
Accrued expenses	<u>122</u>	<u>390</u>
	<u>195</u>	<u>552</u>



SCOUTCAM INC. (Formerly known as Intellisense Solutions Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 7 - INCOME TAXES:**

a. *Basis of taxation*

The Company and its subsidiary are taxed under the domestic tax laws of the jurisdiction of incorporation of each entity (United States and Israel).

Income from Israel was taxed at the corporate tax rate of 23%.

ScoutCam Inc. was incorporated in the United States and is subject to the Federal and State tax laws established in the United States.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Act") was signed into law. The Act reduces the corporate tax rate to 21 percent from 35 percent, among other things.

b. ScoutCam Inc. did not timely file its tax return for 2013-2014 and therefore the IRS imposed penalties in the amount of \$60 thousand (approximately \$73 thousands including interest).

c. *Israel tax loss carry forwards*

As of December 31, 2020, the Company has accumulated losses for tax purposes that were generated in Israel. These losses may be carried forward and offset against taxable income in the future for an indefinite period. A full valuation allowance was created against the Company's deferred tax assets generated in Israel. Management currently believes that it is more likely than not that the deferred taxes generated in Israel will not be realized in the foreseeable future.

**NOTE 8 – RELATED PARTIES:**

- a. On May 30, 2019, ScoutCam entered into an intercompany agreement with Medigus (the “Intercompany Agreement”) according to which ScoutCam agreed to hire and retain certain services from Medigus. The agreed upon services provided under the Intercompany Agreement included: (1) lease of office space and clean room based on actual space utilized by ScoutCam and in shared spaces according to employee ratio; (2) utilities such as electricity water, IT and communication services based on employee ratio; (3) car services, including car rental, gas usage, payment for toll roads based on 100% of expense incurred from a ScoutCam employee car; (4) external accountant services at a price of USD 6,000 per annum; (5) directors and officers insurance at a sum of 1/3 of Parent Company cost; (6) CFO services at a sum of 50% of Parent Company CFO employer cost; (7) every direct expense of ScoutCam that is paid by the Parent Company in its entirety subject to approval of such direct expenses in advance; and (8) any other mutual expense that is borne by the parties according to the respective portion of the Mutual Expense.

The total expenses for year ended December 31, 2019 amounted to USD 329 thousand. As of December 31, 2019, the balance with Medigus amounted to USD 73 thousand.

On April 20, 2020, the Subsidiary entered into an amended and restated intercompany services agreement with Medigus. The agreed upon services provided under the amended and restated Intercompany Agreement included:

1) lease of office space based on actual space utilized by the Parent Company and in shared spaces according to employee ratio; (2) utilities such as electricity water, IT and communication services based on employee ratio; (3) car services, including car rental, gas usage, payment for toll roads based on 100% of expense incurred from a Subsidiary employee car; (5) directors and officers insurance the Parent Company shall pay \$150,000 of the annual premium.; (6) CFO services at a sum of 50% of Parent Company CFO employer cost; (7) every direct expense of the Subsidiary that is paid by the Parent Company in its entirety subject to approval of such direct expenses in advance; and (7) any other mutual expense that is borne by the parties according to the respective portion of the mutual expense.

The total net expenses for year ended December 31, 2020 amounted to USD 143 thousand. As of December 31, 2020, the balance with Medigus amounted to USD 47 thousand.

In addition, ScoutCam’s employees provide support services to Medigus. For additional information see note 11b.

- b. On June 3, 2019, the Parent Company executed a capital contribution with ScoutCam whereby it paid an aggregate amount of USD 720 thousand.
- c. On July 31, 2019, ScoutCam and Prof. Benad Goldwasser entered into a consulting agreement, whereby Prof. Goldwasser agreed to serve as chairman of the Board of Directors of ScoutCam. The consulting agreement effective retroactively to March 1, 2019, in consideration for, *inter alia*, a monthly fee of \$10,000 and options representing 5% of Company’s fully-diluted share capital as of the Closing Date.
- d. On August 27, 2019, the Parent Company provided ScoutCam with a line of credit in the aggregate amount of USD 500 thousand and, in exchange, ScoutCam agreed to grant the Parent Company a capital note that will bear an annual interest rate of 4%. The repayment of the credit line amount shall be spread over one year in monthly payments beginning January 2020. The said note is presented in the consolidated balance sheets within “Loan from Parent Company”.
- On June 23, 2020, the Company and Medigus entered into a certain Conversion Side Letter, pursuant to which the Company converted US\$381,136 worth of outstanding credit previously extended by Medigus to the Company, which amount, as of the date thereof, included interest accrued thereon. In accordance with the terms of the Conversion Side Letter, the Company issued to Medigus, at a purchase price of US\$0.968, (a) 787,471 shares of common stock, (b) warrants to purchase 393,736 shares of common stock at an exercise price of US\$0.595, and (c) warrants to purchase 787,471 shares of common stock at an exercise price of US\$0.893.
- e. On September 3, 2019, a certain Asset Transfer Agreement, by and between ScoutCam and the Parent Company dated May 28, 2019, became effective. According to the Asset Transfer Agreement, the Company transferred certain assets (property and equipment) with a nil carrying amount to the Parent Company in consideration of USD 168 thousand. The assets were then sold to a third party. The excess of the said consideration over the carrying amount was directly recorded to shareholders’ equity.
- f. During December 2019, the Company entered into a consulting agreement with Shrem Zilberman Group (the “Consultant”) in the amount of USD 165 thousand (see also note 9b). A director of the Company is related to one of the Consultant’s shareholders.
- g. On February 12, 2020, the Company’s Board of Directors authorized the grant of options to purchase 2,235,691 shares of common stock of the Company to Professor Benad Goldwasser, the Company’s Chairman of the Board, and options to purchase 1,865,346 shares of common stock of the Company to certain officers of the Company. Each option is exercisable into one share of common stock of the Company of \$0.001 par value at an exercise price of \$0.29. See also note 13b.

SCOUTCAM INC. (Formerly known as Intellisense Solutions Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 – RELATED PARTIES (continued):

- h. On March 15, 2020, the Company's Board of Directors approved, among other things, a quarterly fee of \$4,000 payable to each of the Company's directors, excluding Professor Benad Goldwasser; and a grant of options to purchase 576,888 shares of common stock of the Company to each of the Company's currently serving directors, excluding Professor Benad Goldwasser. The terms of the options granted to the Company's currently serving directors include (i) an exercise price of \$0.29 (ii) a vesting schedule whereby 33.33% of the options granted will vest on the first anniversary of March 15, 2020, and 8.33% of the options will vest at the end of each subsequent three-month period thereafter over the course of the following two (2) years; and (iii) an acceleration mechanism pursuant to which any outstanding and unvested option shall immediately accelerate and vest upon the occurrence of certain events, including, inter alia, a merger or sale of all assets of the Company.
- i. On April 20, 2020, Medigus and ScoutCam entered into that certain Intercompany Services Agreement, which amended and restated the intercompany services agreement executed between the parties on May 30, 2019. The agreement has an initial term of one year, and renews automatically for additional one-year periods, unless either party provides 60 (sixty) days written notice of non renewal. Either Medigus or ScoutCam may terminate the agreement for convenience upon providing 60 (sixty) days prior written notice. The services to be provided by ScoutCam include, inter alia, the provision of office space, utilities, car services, insurance and chief financial officer services. In consideration for the foregoing services, ScoutCam is entitled to arm's length service fees based on the most recent transfer pricing analysis as performed by an external expert, which may be adjusted from time to time.
- j. On May 18, 2020, in connection with the Arkin Transaction (as defined below), the Company, Medigus and Arkin (as defined below), entered into the Letter Agreement, whereby, provided the Company obtains certain regulatory approvals described therein, Medigus and the Company agreed to amend certain terms of the Amended and Restated Asset Transfer Agreement and the License Agreement, thereby transferring outright certain patent assets from Medigus to the Company; provided, however, that in the event the Company abandons the foregoing patent assets, the Company must transfer back ownership of the patent assets to Medigus for no additional consideration and absent any additional contingencies.

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

at each annual or special meeting of stockholders at which an election of directors is held or pursuant to any written consent of the stockholders, (a) one person designated by Arkin shall be elected to the Board, for so long as Arkin, together with its Affiliates, continues to own beneficially at least eight (8%) of the issued and outstanding capital stock of the Company ("**Arkin Director**"), and (b) (i) three persons designated by Medigus shall be elected to the Board, for so long as Medigus, together with its Affiliates, continues to own beneficially at least thirty five (35%) of the issued and outstanding capital stock of the Company, or (ii) two persons designated by Medigus for so long as Medigus, together with its Affiliates, continues to own beneficially less than thirty five (35%) and more than twenty (20%) of the issued and outstanding capital stock of the Company, or (iii) one person designated by Medigus for so long as Medigus, together with its Affiliates, continues to own beneficially less than twenty (20%) and more than eight (8%) of the issued and outstanding capital stock of the Company.

- k. On June 22, 2020, the Company's Board of Directors authorized the grant of options to purchase 628,163 shares of common stock to Prof. Benad Goldwasser, Chairman of the Board, and 628,162 options to purchase shares of common stock to CEO and director of the Company. Each option is exercisable into one share of common stock at an exercise price of \$0.29.
- l. On November 11, 2020, the Company's Board of Directors authorized the grant of options to purchase 144,222 shares of common stock to director of the Company. Each option is exercisable into one share of common stock at an exercise price of \$0.35.

SCOUTCAM INC. (Formerly known as Intellisense Solutions Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 9 - EQUITY:**

**Reverse Recapitalization:**

As discussed in note 3, the Recapitalization is accounted for as a reverse recapitalization with ScoutCam Inc. as the legal acquirer and ScoutCam Ltd. as the accounting acquirer. Under the Recapitalization, the USD amount for shares of common stock is based on the nominal value and the shares of common stock issued by ScoutCam Inc. (reflecting the legal structure of ScoutCam Inc. as the legal acquirer) on the Recapitalization Date plus shares of common stock issued by the Company as part of the Recapitalization as described above. Historical stockholders' equity reflects the accounting acquirer's share number and USD amount adjusted for the exchange ratio determined in the Recapitalization.

**Private placement:**

- a. In December 2019, the Company allocated in a private issuance, a total of 3,413,312 units at a purchase price of USD \$0.968 per unit. Each unit was comprised of two shares of common stock par value US\$0.001 per share, one Warrant A (defined below) and two Warrants B (defined below). The immediate proceeds (gross) from the issuance of the units amounted to approximately USD 3.3 million.

Each Warrant A was exercisable into one share of common stock of the Company at an exercise price of USD 0.595 per share during the 12 month period following the allocation. Each Warrant B is exercisable into one share of common stock of the Company at an exercise price of USD 0.893 per share during the 18 month period following the allocation.

In addition, Shrem Zilberman Group Ltd. (the "Consultant") will be entitled to receive the amount representing 3% of any exercise price of each Warrant A or Warrant B that may be exercised in the future. In the event the total proceeds received as a result of exercise of Warrants will be less than \$2 million at the time of their expiration, the Consultant will be required to invest \$250,000 in the Company in return for shares of common stock of Company.

During 2020, 2,992,855 Warrants A were exercised. 420,457 unexercised Warrants A expired on December 30, 2020.

SCOUTCAM INC. (Formerly known as Intellisense Solutions Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 9 – EQUITY** (continued):

- b. On March 3, 2020, the Company issued in a private issuance a total of 979,754 units at a purchase price of USD \$0.968 per unit.

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

Each Warrant A was exercisable into one share of common stock of the Company at an exercise price of USD 0.595 per share during the 12 month period following the allocation.

Each Warrant B is exercisable into one share of common stock of the Company at an exercise price of USD 0.893 per share during the 18 month period following the allocation.

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

During 2021, 979,784 Warrants A were exercised.

- c. On May 18, 2020, the Company allocated in a private issuance a total of 2,066,116 units at a purchase price of USD \$0.968 per unit.

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

Each Warrant A is exercisable into one share of common stock of the Company at an exercise price of USD 0.595 per share during the 18 month period following the allocation.

Each Warrant B is exercisable into one share of common stock of the Company at an exercise price of USD 0.893 per share during the 24 month period following the allocation.

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

During February 2021, 336,135 Warrants A were exercised.

- d. On June 23, 2020, (the “Conversion Date”), the Company entered into and consummated a Side Letter Agreement with Medigus, whereby the parties agreed to convert, at a conversion price of \$0.484, an outstanding line of credit previously extended by Medigus to the Subsidiary, which as of the Conversion Date was \$381,136, into (a) 787,471 shares of the Company’s common stock, (b) warrants to purchase 393,736 shares of common stock with an exercise price of \$0.595 (Warrant A), and (c) warrants to purchase 787,471 shares of common stock with an exercise price of \$0.893 (Warrant B). As the conversion price represented the same unit price as in the March 2020 and May 2020 private placements, no finance expenses have been recorded in statement of operations as a result of the conversion.

Each Warrant A is exercisable into one share of common stock of the Company at an exercise price of USD 0.595 per share during the 12 months period following the allocation.

Each Warrant B is exercisable into one share of common stock of the Company at an exercise price of USD 0.893 per share during the 18 months period following the allocation.

SCOUTCAM INC. (Formerly known as Intellisense Solutions Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 9 – EQUITY** (continued):

As of December 31, 2020, the Company had the following outstanding warrants to purchase common stock:

Warrant	Issuance Date	Expiration Date	Exercise Price Per Share (\$)	Number of Shares of common stock Underlying Warrants
Warrant Medigus	December 30, 2019	December 30, 2022	(*)	2,688,492
Warrant B	December 30, 2019	June 30, 2021	0.893	6,826,623
Warrant A	March 3, 2020	March 3, 2021	0.595	979,754
Warrant B	March 3, 2020	September 3, 2021	0.893	1,959,504
Warrant A	May 18, 2020	November 18, 2021	0.595	2,066,116
Warrant B	May 18, 2020	May 18, 2022	0.893	4,132,232
Warrant A	June 23, 2020	June 23, 2021	0.595	393,736
Warrant B	June 23, 2020	December 23, 2021	0.893	787,471
				<b>19,833,928</b>

(\*) If ScoutCam. achieves an aggregate amount of \$33 million in sales within the first three years immediately after the Exchange Agreement, the Company will issue to Medigus 2,688,492 shares of the Company's common stock, which represents 10% of the Company's issued and outstanding share capital as of the Exchange Agreement.

**Stock based compensation:**

**2020 Equity Incentive Plan**

In February 2020, the Company's Board of Directors approved the 2020 Share Incentive Plan (the "Plan"). The Plan initially included an option pool of 5,228,007 shares of common stock for grant to Company employees, consultants, directors, and other service providers. On March 15, 2020, the Company's Board of Directors approved an increase to the Company's option pool pursuant to the Plan by an additional 576,888 shares of common stock. On June 22, 2020, the Company's Board of Directors approved an increase to the Company's option pool pursuant to the Plan by an additional 3,617,545 shares of common stock.

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

On February 12, 2020, the Company granted 4,367,515 options pursuant to the Plan. Each option is exercisable into one share of common stock of the Company of \$0.001 par value at the exercise price of \$0.29.

On March 15, 2020, the Company granted 576,888 options pursuant to the Plan to each of the Company's then serving directors, excluding Professor Benad Goldwasser. Each option is exercisable into one share of common stock of the Company of \$0.001 par value at the exercise price of \$0.29.

On June 22, 2020, the Company granted 1,544,769 options pursuant to the Plan to Company employees, consultants, directors. Each option is exercisable into one share of common stock of the Company of \$0.001 par value at the exercise price of \$0.29.

On November 11, 2020, the Company granted 144,222 options pursuant to the Plan to Company director. Each option is exercisable into one share of common stock of the Company of \$0.001 par value at the exercise price of \$0.35.

Options granted generally have a contractual term of 7 years and vest over a period of 3 up to 4 years.

SCOUTCAM INC. (Formerly known as Intellisense Solutions Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 9 – EQUITY** (continued):

**Stock Option Activity**

The following summarizes stock option activity:

	<u>Amount of options</u>	<u>Weighted average exercise price \$</u>	<u>Weighted Average Remaining Contractual Term (years)</u>	<u>Aggregate Intrinsic Value (in thousands) \$ in thousands</u>
Outstanding - December 31, 2019	-	-	-	-
Granted	6,633,394	0.29		
Outstanding - December 31, 2020	<u>6,633,394</u>	<u>0.29</u>	<u>6.23</u>	<u>2,446</u>
Options Exercisable - December 31, 2020	<u>1,941,701</u>	<u>0.29</u>	<u>6.12</u>	<u>718</u>

At December 31, 2020, the aggregate intrinsic value of options granted is calculated as the difference between the exercise price and the closing price on the same date.

The Company estimates the fair value of stock option awards on the grant date using the Black-Scholes option pricing model. The weighted-average grant date fair value per option granted during the years ended December 31, 2020 was \$0.27. The fair value of each award is estimated using Black-Scholes option pricing model based on the following assumptions:

	<u>Year ended December 31, 2020</u>
Underlying value of ordinary shares (\$)	0.446-0.800
Exercise price (\$)	0.29-0.35
Expected volatility (%)	43.35%-45.00%
Term of the options (years)	7
Risk-free interest rate (%)	0.54%-1.55%

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

The unrecognized compensation expense calculated under the fair-value method for stock options expected to vest as of December 31, 2020 is approximately \$0.6 million and is expected to be recognized over a weighted-average period of 1.2 years.

SCOUTCAM INC. (Formerly known as Intellisense Solutions Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 10 - REVENUES:**

**a. Contract fulfillment assets:**

The Company's contract fulfillment assets as of December 31, 2020:

	December 31, 2020
	USD in thousands
Contract fulfillment assets from contract with Customer B (see note 11b)	1,130

**b. Contract liabilities:**

The Company's contract liabilities were as follows:

	December 31,		
	2020	2019	2018
	USD in thousands		
The change in deferred revenues:			
Balance at beginning of year	502	200	8
Deferred revenue relating to new sales	735	387	200
Revenue recognition during the period	(389)	(85)	(8)
Balance at end of year	848	502	200

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

Revenue recognized in 2020 that was included in deferred revenue balance as of December 31, 2019 was USD 389 thousand.

There was no revenue recognized in 2019 that was included in deferred revenue balance as of December 31, 2018.

Revenue recognized in 2018 that was included in deferred revenue balance as of January 1, 2018 was USD 8 thousand.



SCOUTCAM INC. (Formerly known as Intellisense Solutions Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 10 – REVENUES** (continued):

Remaining Performance Obligations

Remaining Performance Obligations (“RPO”) represents contracted revenue that has not yet been recognized, which includes contract liability and amounts that will be invoiced and recognized as revenue in future periods. As of December 31, 2020, the total RPO amounted to USD 2.9 million, Which the Company expects to recognize over the expected manufacturing term of the product under development.

**NOTE 11 - ENTITY WIDE DISCLOSURES:**

ASC 280, “Segment Reporting,” establishes standards for reporting information about operating segments. The Company manages its business based on one operating segment and derives revenues from sales of products and services developing minimally invasive endosurgical tools and highly innovative imaging solutions.

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

The following is a summary of revenues within geographic areas:

	Year ended on December 31,		
	2020	2019	2018
	USD in thousands		
United States	418	142	300
United Kingdom	41	33	24
South Korea	-	-	7
Israel	5	67	12
Other	27	67	48
	<u>491</u>	<u>309</u>	<u>391</u>

**b. Major customers**

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

	Year ended on December 31,		
	2020	2019	2018
	USD in thousands		
Customer A	<u>383</u>	<u>85</u>	<u>134</u>
Customer B	<u>-</u>	<u>30</u>	<u>92</u>
Customers C	<u>41</u>	<u>33</u>	<u>21</u>
Customer D – Parent Company	<u>5</u>	<u>36</u>	<u>-</u>

SCOUTCAM INC. (Formerly known as Intellisense Solutions Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 - LEASES

The Company's leases relate to vehicles leases and to short term lease of Company's offices.

The components of lease expenses during the periods presented were as follows:

	Year ended December 31,	
	2020	2019
	USD in thousands	
Operating lease expenses	45	29
Short-term lease expenses	88	60
Total lease expenses	133	89

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

	Year ended December 31,	
	2020	2019
	USD in thousands	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	45	29

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

	December 31,	
	2020	2019
	USD in thousands	
Weighted-average remaining lease term (in years)	1.85	1.4
Weighted-average discount rate	10%	10%

The maturities of lease liabilities under operating leases as of December 31, 2020 are as follows:

	USD in thousands
2021	63
2022	47
2023	8
Total undiscounted lease payments	118
Less: Imputed interest	(11)
Total lease liabilities	107

NOTE 13 - SUBSEQUENT EVENTS:

- On January 20, 2021, the Company's Board of Directors approved an increase of the authorized share capital of the Company by an additional 225,000,000 ordinary shares par value \$0.001 per share, such that the authorized share capital of the Company following such increase shall be consisting of 300,000,000 ordinary shares.
- Refer to Note 9b-c regarding exercising of warrants.
- On March 22, 2021, the Company undertook to issue to certain investors (the "Investors") 22,222,223 units (the "Units") in exchange for an aggregate purchase price of \$20 million. Each Unit consists of (i) one share of the Company's common stock and (ii) one warrant to purchase one share of common stock with an exercise price of US\$1.15 per share (the "Warrant" and the "Exercise Price"). Each Warrant is exercisable until the close of business on March 31, 2026.

Pursuant to the terms of the Warrants, following April 1, 2024, if the closing price of the common stock equal or exceeds 135% of the Exercise Price (subject to appropriate adjustments for stock splits, stock dividends, stock combinations and other similar transactions after the issue date of the Warrants) for any thirty (30) consecutive trading days, the Company may force the exercise of the Warrants, in whole or in part, by delivering to the Investors a notice of forced exercise.

## Exhibit 3.1.3

**BARBARA K. CEGAVSKE**  
Secretary of State

**KIMBERLEY PERONDI**  
Deputy Secretary for  
Commercial Recordings

## STATE OF NEVADA

OFFICE OF THE  
SECRETARY OF STATE

Commercial Recordings Division  
202 N. Carson Street  
Carson City, NV 89701  
Telephone (775) 684-5708  
Fax (775) 684-7138  
North Las Vegas City Hall  
2250 Las Vegas Blvd North, Suite 400  
North Las Vegas, NV 89030  
Telephone (702) 486-2830  
Fax (702) 486-2838

## Business Entity - Filing Acknowledgement

02/05/2021

Work Order Item Number: W2021020501591 - 1113188  
Filing Number: 20211220672  
Filing Type: Amendment After Issuance of Stock  
Filing Date/Time: 02/05/2021 14:41:45 PM  
Filing Page(s): 2

## Indexed Entity Information:

Entity ID: E0155682013-5      Entity Name: ScoutCam Inc.  
Entity Status: Active      Expiration Date: None

Commercial Registered Agent  
STATE AGENT AND TRANSFER SYNDICATE, INC.  
112 NORTH CURRY STREET, Carson City, NV 89703 - 4934, USA

The attached document(s) were filed with the Nevada Secretary of State, Commercial Recording Division. The filing date and time have been affixed to each document, indicating the date and time of filing. A filing number is also affixed and can be used to reference this document in the future.

Respectfully,

A handwritten signature in black ink, appearing to read "Barbara K. Cegavske".

BARBARA K. CEGAVSKE  
Secretary of State

Page 1 of 1

Commercial Recording Division  
202 N. Carson Street



BARBARA K. CEGAVSKE  
Secretary of State  
202 North Carson Street  
Carson City, Nevada 89701-4201  
(775) 684-5708  
Website: [www.nvsos.gov](http://www.nvsos.gov)  
[www.nvsilverlume.gov](http://www.nvsilverlume.gov)

Filed in the Office of	Business Number
K	E0155682013-5
Secretary of State	Filing Number
State Of Nevada	20211220672
	Filed On
	02/05/2021 14:41:46 PM
	Number of Pages
	2

**Profit Corporation:**  
**Certificate of Amendment** (PuRsuANT To NRs 18.380 & 18.385/78.390)  
**Certificate to Accompany Restated Articles or Amended and**  
**Restated Articles** (PURSUANT to NRs 78.403)  
**Officer's Statement** (PuRsuANT To NRs 80.030)

TYPE OR PRINT - USE DARK INK ONLY - DO NOT HIGHLIGHT

<b>1. Entity information</b>	Name of entity as on file with the Nevada Secretary of State : ScoutCam Inc. Entity or Nevada Business Identification Number (NVID): NV20131189227
<b>2. Restated or Amended and Restated Articles</b> (Select one): (If amending and restating only, complete section 1, 2 and 6.)	<input type="checkbox"/> Certificate to Accompany Restated Articles or Amended and Restated Articles <input type="checkbox"/> Restated Articles - No amendments; articles are restated only and are signed by an officer of the corporation who has been authorized to execute the certificate by resolution of the board of directors adopted on: _____ The certificate correctly sets forth the text of the articles or certificate as amended to the date of the certificate. <input type="checkbox"/> Amended and Restated Articles * Restated or Amended and Restated Articles must be included with this filing type.
<b>3. Type of amendment filing being completed:</b> (Select only one box): (If amending, complete section 1, 3, 5 and 6.)	<input type="checkbox"/> Certificate of Amendment to Articles of Incorporation (Pursuant to NRS 78.380 - Before Issuance of Stock) The undersigned declare that they constitute at least two-thirds of the following: (Check only one box) <input type="checkbox"/> incorporators <input type="checkbox"/> board of directors The undersigned affirmatively declare that to the date of this certificate, no stock of the corporation has been issued  <input type="checkbox"/> Certificate of Amendment to Articles of Incorporation (Pursuant to NRS 78.385 and 78.390 - After Issuance of Stock) The vote by which the stockholders holding shares in the corporation entitling them to exercise at least a majority of the voting power, or such greater proportion of the voting power as may be required in the case of a vote by classes or series, or as may be required by the provisions of the articles of incorporation have voted in favor of the amendment is: 57.27%  <input type="checkbox"/> Officer's Statement (foreign qualified entities only) - Name in home state, if using a modified name in Nevada: _____ Jurisdiction of formation: _____ Changes to takes the following effect: <input type="checkbox"/> The entity name has been amended. <input type="checkbox"/> Dissolution <input type="checkbox"/> The purpose of the entity has been amended. <input type="checkbox"/> Merger <input type="checkbox"/> The authorized shares have been amended. <input type="checkbox"/> Conversion <input type="checkbox"/> Other: (specify changes) _____  * Officer's Statement must be submitted with either a certified copy of or a certificate evidencing the filing of any document, amendatory or otherwise, relating to the original articles in the place of the corporations creation.

This form must be accompanied by appropriate fees.

page 1 of 2



BARBARA K. CEGAVSKE  
Secretary of State  
202 North Carson Street  
Carson City, Nevada 89701-4201  
(775) 684-5708  
Website: [www.nvsos.gov](http://www.nvsos.gov)  
[www.nvsilverlume.gov](http://www.nvsilverlume.gov)

<b>Profit Corporation:</b> <b>Certificate of Amendment</b> (PuRsuANT To NRs 18.380 & 18.385/78.390) <b>Certificate to Accompany Restated Articles or Amended and Restated Articles</b> (PURSUANT To NRs 78.403) <b>Officer's Statement</b> (PuRsuANT To NRs 80.030)					
<b>4. Effective date and Time:</b> (Optional)	Date: 02/05/2021 Time: <input type="text"/> (must not be later than 90 days after the certificate is filed)				
<b>5. Information Being Changed:</b> (Domestic corporations only)	Changes to takes the following effect: <input type="checkbox"/> The entity name has been amended. <input type="checkbox"/> The registered agent has been changed. (attach Certificate of Acceptance from new registered agent) <input type="checkbox"/> The purpose of the entity has been amended. <input type="checkbox"/> The authorized shares have been amended. <input type="checkbox"/> The directors, managers or general partners have been amended. <input type="checkbox"/> IRS tax language has been added. <input type="checkbox"/> Articles have been added. <input type="checkbox"/> Articles have been deleted. <input type="checkbox"/> Other: The articles have been amended as follows: (provide article numbers, if available)  Number of authorized shares with par value (\$0.001): 300,000,000 (attach additional page(s) if necessary)				
<b>6. Signature:</b> (Required)	<table border="0"><tr><td><input checked="" type="checkbox"/> <u>Benad Goldwasser</u> Signature of Officer, Incorporator or Authorized Signer</td><td><input type="text"/> Authorized Signer Title</td></tr><tr><td><input checked="" type="checkbox"/> <u>Tanya Yosef</u> Signature of Officer, Incorporator or Authorized Signer</td><td><input type="text"/> Authorized Signer Title</td></tr></table> <p>*If any proposed amendment would alter or change any preference or any relative or other right given to any class or series of outstanding shares, then the amendment must be approved by the vote, in addition to the affirmative vote otherwise required, of the holders of shares representing a majority of the voting power of each class or series affected by the amendment regardless to limitations or restrictions on the voting power thereof.</p>	<input checked="" type="checkbox"/> <u>Benad Goldwasser</u> Signature of Officer, Incorporator or Authorized Signer	<input type="text"/> Authorized Signer Title	<input checked="" type="checkbox"/> <u>Tanya Yosef</u> Signature of Officer, Incorporator or Authorized Signer	<input type="text"/> Authorized Signer Title
<input checked="" type="checkbox"/> <u>Benad Goldwasser</u> Signature of Officer, Incorporator or Authorized Signer	<input type="text"/> Authorized Signer Title				
<input checked="" type="checkbox"/> <u>Tanya Yosef</u> Signature of Officer, Incorporator or Authorized Signer	<input type="text"/> Authorized Signer Title				
Please include any required or optional information in space below: (attach additional page(s) if necessary)					

**Exhibit 10.21****Employment Agreement**Of January 14, 2021**Between: ScoutCam Ltd., Company No. 515950400**

Of 7A Gan Hata'asiya St., Omer, Israel

e-mail: [info@medigus.com](mailto:info@medigus.com) (the "Company")**And: Tanya Yosef, identity no. 314146580**

Address: Israel Shohat 31 app. 20, Beer Sheva

e-mail: [tanya.yosef@medigus.com](mailto:tanya.yosef@medigus.com) (the "Manager")**Employment and Compensation**

1. The Parties wish to enter into an employment agreement for an unfixed period, in accordance with the conditions and provisions of this Employment Agreement. The date of commencement of the Manager's employment, his job, his direct supervisor and other issues relating to the conditions of the Manager's employment, including consideration, are set out in Appendix A, which is attached hereto.
  2. In the performance of his job, the Manager shall devote all of his time, attention, ability and effort exclusively for the performance of his duties at the Company and he undertakes not to engage, either as an employee or otherwise, in any business, commercial or professional activities, either for consideration or otherwise, during the term of his employment, without receiving the Company's prior written consent to such. The provisions of this section shall not derogate from the Manager's undertakings as set out in Appendix B which is attached hereto.
  3. Each party shall be entitled to rescind this Agreement at any time, by giving prior notice as set out in Appendix A below, and subject to any law.
  4. Notwithstanding the provisions of section 3 above, and without derogating from its rights under this Agreement or under any law, the Company shall be entitled to terminate the employment of the Manager without prior notice, upon the occurrence of one of the following cases: (a) breach of the Manager's fiduciary duty, intentional damage to the Company's property, dealing in competing activity or any breach of Appendix B below; or (b) a fundamental breach of the provisions of this Agreement on condition that the Manager has not remedied the breach (to the extent that it can be remedied) within 7 days of receipt of a warning from the Company; or (c) indictment of the Manager for a criminal offense (except for a fine-related offense) or for involvement in sexual harassment incidentally to the Manager's employment at the Company; or (d) the Manager has put himself in a position of conflict of interests; or (e) any other circumstance in respect of which it is legally permissible to fire an employee without the giving of prior notice.
  5. The Manager shall not have a right of lien over the assets, equipment or any other of the Company's property that might be in his possession. The Manager shall return all of the Company's property that is in his possession not later than the date of termination of employer-employee relations, prior to his taking any unpaid leave or within 7 days of receipt of a demand to do so from the Company.
-

6. The provisions of this Agreement shall not derogate from any right afforded to the Manager under any law, extension order, collective agreement, employment contract or any other contract relating to the conditions of his employment.

#### **Managerial Job / Position of Trust**

7. It is agreed that this Agreement is a personal agreement and that the Manager shall be employed in a managerial job which requires a special level of personal trust, as such terms are defined in the Hours of Work and Rest Law, 5711-1951 (the "**Hours of Work and Rest Law**"). Therefore, the Hours of Work and Rest Law shall not apply to the Manager's employment. The Manager declares that he is aware that he might be required to work more than usual working hours, including late in the evening or on Saturdays or Festivals, and that he shall not be entitled to any additional consideration for working such hours. The Manager declares that the economic significance of this provision was taken into account by the Parties for the purpose determining the consideration that is set out in Appendix A, and in his decision to enter into this Agreement.

#### **Confidentiality, Prohibition of Competition and Title to Inventions**

8. Together with the execution of this Agreement, the Manager shall sign an undertaking to the Company regarding confidentiality, prohibition of unfair competition, and title to inventions, which is attached hereto as **Appendix B**.

#### **Representations and Undertakings of the Manager**

The Manager declares and undertakes as follows:

9. He has the ability, skills and knowledge that are necessary for the performance of his Job pursuant to this Agreement and he does not suffer from any physical or mental health deficiency that might unreasonably prevent or impede him in the performance of his job and his other obligations under this Agreement.
  10. He is not bound by any undertaking or other agreement whatsoever that might restrict or prevent him from entering into this Agreement and performing his undertakings hereunder. By executing this Agreement and performing his job, he is not and will not be in breach of, or in a conflict of interests with: (1) the rights of his previous employers or his undertakings to them; or (2) his undertakings under any other document to which he is a party or which binds him.
  11. He shall give notice to the Company, immediately, of any matter or subject in respect of which he or his close family might have a personal interest or that might generate a conflict of interests with his job and employment at the Company.
  12. He shall not receive any beneficial interest from any third party, directly or indirectly, with respect to his employment. Should the Manager breach this undertaking, then without derogating from the rest of the Company's rights, the beneficial interest or the value thereof shall be the property of the Company alone, and the Manager hereby grants the Company leave to deduct the value of the beneficial interest from any sum that may be owing to the Manager from it. This section shall not apply to gifts or benefits of a marginal value.
-



13. In the context of his employment, he shall not act in contravention of the signature rights that are prescribed by the Company.
14. He agrees and confirms that from time to time, he might be required to travel and stay overseas in the framework of his job.
15. For the purpose of performance of his job, the Company may provide the Manager with a computer, hardware, software, an email address and/or mobile telephone as the case may be ("**Computers**") which shall be the exclusive property of the Company. Subject to the Company's procedures in this regard, and without derogating from his undertakings and the performance of his job pursuant to this Agreement, the Manager shall be entitled to make reasonable, private use of the Computers provided that the Manager shall not be entitled to store private files on the Computers (except for private folders that are prominently marked as such) and shall not be entitled to store Company files on private storage measures. It is clarified that the professional email address shall be used for professional purposes only, whilst the Manager shall be entitled, for private purposes, to use external email services (such as gmail).
16. The Manager is aware and agrees that: (1) the Company may allow other employees and third parties to make use of the Computers; (2) in order to preserving its legitimate interests, the Company may monitor the activities on the Computers, including the usage log and the contents of email and internet correspondence, which shall be admissible as evidence in legal proceedings; (3) in light of the Manager's undertakings above, the Manager shall not have a right to privacy with respect to the contents of the Computers, with the exception of private folder that have been prominently marked as such.
17. The Manager is aware and agrees that the information about him and about the conditions of his employment which may be accrued and documented by the Company (the "**Information**") may be provided to third parties, including outside of Israel, on condition that: (a) such transfer is effected for the purpose of the performance of some relevant legal provision or for the purpose of the Company's business (including any transactions related thereto); (b) no information shall be provided beyond what is necessary and reasonable; (c) the party to which the information is provided shall undertake to the Company, to the extent that such is possible and relevant, that it shall maintain the privacy of the information at a level of protection that is at least that which is employed by the Company with respect to the information.
18. in the event of rescission of this Agreement, for any reason whatsoever, the Manager shall cooperate with the Company and shall make best endeavors to assist in the orderly transition of his job at the Company, and in the orderly overlap between him and the person or persons due to replace him in his job.

#### **General Provisions**

19. This Agreement and the Appendixes hereto constitute the full agreement between the Parties and prevail over any prior agreement, offer, understanding, correspondence, content, conversation or arrangement, whether in writing or oral, if any, between the Parties, with respect to the conditions of the Manager's employment. Any matter not expressly regulated in this Agreement shall be in accordance with the law. Any amendment and/or addition to this Agreement shall bind the Parties to this Agreement and shall only be in force if it is in writing and signed by the Parties.
20. Israeli law shall apply to this Agreement. The competent courts / tribunals in the city of Tel Aviv Yafo shall have exclusive jurisdiction with respect to any matter stemming from this Agreement or with respect to this Agreement.
21. All notices must be sent by one party to the other by registered mail, by email or by hand delivery to the address at the top of this Agreement or to such other address as a Party may notify. Any notice shall be deemed to have been received by the recipient: if sent by registered mail – 4 business days after dispatch; if sent by email – one business day after dispatch provided that an automatic confirmation is obtained from the server that the notice reached its destination; if delivered by hand – upon delivery provided that a "certificate of delivery" is received.

The Manager declares that: (1) he has read carefully and has understood all of the provisions of the Agreement and the Appendixes hereto; (2) he has been given a reasonable opportunity to consult with third parties, including with an advocate; (3) he has signed this Agreement with full volition and consent.
--

In witness whereof, the Parties have hereunto set their hands:

The Manager: \_\_\_\_\_

The Company: \_\_\_\_\_

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#### **Appendix A – Conditions of Employment**

1. **Date of Commencement, Job and Supervisor** – The Manager’s employment shall commence on January 15, 2021, full time, in the position of Chief Financial Officer or such other similar position, whatever its title may be. The Manager shall report directly to the Interim CEO.
  2. **Prior Notice** – two months in advance. Notice shall be given notice in writing however, even if notice is not given in writing as aforesaid, the Manager shall be deemed to have resigned if he gives clear notice in such regard.
  3. **Salary** – A gross monthly salary of NIS 28,000 (the “**Salary**”). Any payment or bonus that are granted to the Manager pursuant to this Appendix, apart from the Salary, shall not be deemed to be a salary for any purpose whatsoever, and the Director shall not be able to argue otherwise. The Salary shall be paid on the lawful date.
  4. **Pension Arrangements** – The Company shall insure the Manager under a pension arrangement of his choice (insurance fund, pension fund or a combination of the two), in accordance with the rates and conditions that are set out below:
    - 4.1. **Insurance fund (“executive insurance”)** – in accordance with the following components:
      - 4.1.1. Insurance for loss of capacity to work – the Company shall, at its own expense and from an insurer of its choice, purchase coverage in the event of loss of capacity to work with the usual and acceptable conditions, at the rate that is necessary for the insurance of 75% of the Salary. The Company’s payment for insurance for loss of capacity to work shall not, in any event, be greater than 2.5% of the Salary.
      - 4.1.2. The Company’s provisions for severance pay -  $8\frac{1}{3}\%$  of the Salary.
      - 4.1.3. The Company’s provisions for compensation – the difference between 6.5% of the Salary and the Company’s payment for insurance for loss of capacity to work, provided that in any event, the Company’s provisions for compensation shall not be less than 5% of the Salary.
      - 4.1.4. The Manager’s provisions for compensation – 6% of the Salary.
    - 4.2. **Pension fund** – in accordance with the following components: The Company’s provisions for severance pay - 8% of the Salary; the Company’s provisions for compensation - 6.5% of the Salary; the Manager’s provisions for compensation - 6% of the Salary.
  5. **Release of Pension Funds** – The Parties adopt the provisions of the General Authorization regarding Employer Payments into Pension Funds and Insurance Funds in lieu of Severance Pay, which was issued pursuant to the Severance Pay Law, 5723-1963, as is in force from time to time, a copy of which is attached to this Agreement as **Appendix C**. The Company hereby waives its right to a refund of the monies that it paid to the Pension Fund and/or to an executive insurance policy unless the Manager’s right to severance pay is repudiated in a judgment pursuant to sections 16 and 17 of the Severance Pay Law, 5723-1963 (in accordance with the provisions thereof), or if the Manager withdraws monies from the pension fund and/or executive insurance policy, other than due to an “entitling event”. For this purpose, an “entitling event”: death, disability or retirement at age sixty or above. The Manager declares, confirms and undertakes that the Company’s provisions for the executive insurance policy or pension fund shall stand in place of all of the severance pay owing to him if any, pursuant to section 14 of the Severance Pay Law, 5723-1963, and in accordance with the General Authorization referred to above.
-

6. **Study Fund** – The Company and the Manager shall set up a study fund for the Manager. The Company shall deposit a sum equal to 7.5% of the Salary into a study fund each month, and the Manager shall set aside a sum equal to 2.5% of the Salary to the study fund. The Manager hereby instructs the Company to transfer the sums constituting the Manager's portion of the provisions, to the study fund.
7. **Vacation** – The Manager shall be entitled to leave of 23 days of work for each period of twelve (12) months of employment (the "**Annual Quota**") but in any event, not less than that which is set out in the Annual Leave Law, 5711-1951, as such may be from time to time (the "**Annual Leave Law**"). The Company encourages its employees to take leave and to use up the entire Annual Quota of leave days. However, the Employee shall be entitled to accrue vacation days in a quantity of not more than twice the Annual Quota (the "**Accrual Quota**"). Vacation days beyond the Accrual Quota shall be deleted without the Manager being given compensation for such. The dates for taking vacations shall be prescribed by the Company at its discretion, in accordance with its possibilities and needs, and where possible, taking into account the Manager's wishes. The Company shall be entitled to decide on a uniform annual leave period for all or some of its employees, with respect to some or all of their annual leave quota, as it may see fit.
8. **Sick Pay** – The Manager shall be entitled to the payment of sick pay in accordance with the provisions of the Sick Pay Law, 5736-1976. In the event that the Manager is absent from work due to illness, the Manager shall inform the Company of the illness on the first day of such absence, unless the Manager is unable to give such notice due to his medical condition, in which case the notice shall be given as soon as possible. Such notice shall refer, inter alia, to the estimated period in which the Manager is unable to work. Without derogation from the generality of the aforesaid it is clarified that the Employee shall be entitled, from the commencement date of his employment, to a sick leave quota of 90 days. Statutory sick leave shall be accrued on top of this quota.
9. **Convalescence Pay** – The Manager shall be entitled to payment of convalescence pay in accordance with the Extension Order regarding Payment of Convalescence Pay.
10. **Travel Pay** – The Manager shall be entitled to a payment of travel pay in a gross monthly sum of NIS 2,500.
11. **Directors' and Officers' Insurance** – Throughout the entire term of the Manager's employment at the Company, the Manager shall be covered by the Company's directors' and officers' insurance in accordance with the conditions of the policy as shall be in force at such time, with respect to the other senior officers of the Company. The Company undertakes to keep such directors' and officers' insurance in force for a period of at least seven years after termination of the Manager's office as an officer, so long as the Manager is not covered by a "retiring directors and officers" expansion or by a run-off policy, that may have been purchased by the Company.
13. **Business Expenses** – The Company shall refund any payment to the Manager for necessary and acceptable business expenses incurred by the Manager, in accordance with the Company's policy, as may be updated from time to time.
14. **Taxes and Mandatory Payments** – All of the taxes and benefits under this Agreement shall be gross sums. The Company shall deduct taxes and other mandatory payments as required by the law.

The Manager: \_\_\_\_\_

The Company: \_\_\_\_\_

---

## **Appendix B – Deed of Undertaking**

This Deed of Undertaking was executed on March 1, 2019 by Tanya Yosef, identity card no. 2724215-5, of 3 Ha'Armon St., Or Yehuda, Israel (hereinafter: the "**Manager**").

Since the Manager wishes to enter into an employment agreement with ScoutCam Ltd. (the "**Company**") and since the preservation of the Confidential Information (as defined below), the Company's rights in Inventions (as defined below) and in all of the intellectual property rights auxiliary to such, are essential to the Company, the Manager is executing this Undertaking as a condition of his employment by the Company, and he undertakes to perform it verbatim.

In this Deed of Undertaking, all of the Manager's undertakings to the Company shall be made to any parent companies, subsidiaries, sister companies and related companies to the Company, directly or indirectly, and the substitutes or transferees of such companies.

### **Confidential Information**

1. The Manager recognizes the fact that he has and that he will have access to information that is confidential in nature (whether marked as such or not), that is related to the Company, including with respect to its commercial secrets, professional knowledge, technology, products (including products under development), research and development, experiments, formulas and processes, inventions, business, assets, financial condition, contracts and undertakings, obligations, operations, marketing and sales promotion issues, plans (including business and financial plans), strategies, procedures, forecasts, customers, suppliers, business partners and third parties to whom the Company has undertaken to keep information confidential and information relating to its employees, consultants, office bearers, directors and shareholders (all hereinafter jointly: the "**Confidential Information**"). The Confidential Information might be in any form whatsoever, including in writing, oral or on a magnetic or electronic medium. Confidential Information shall not include information that has come into the public domain as a result of a breach of this Deed of Undertaking by the Manager or information which the Manager is required to disclose pursuant to the legal demand of a competent authority, on condition that: (a) the Manager gives notice to the Company of such demand, immediately; (b) the Manager cooperates with the Company, if necessary, in order to reduce the scope of the demand; (c) the Manager does not disclose it beyond his duty to disclose in accordance with the aforesaid demand.
  2. During the term of his employment and at all times thereafter, without any limitation in time, the Manager shall strictly preserve the Confidential Information and shall ensure its confidentiality, and shall not disclose the Confidential Information to any person or entity and shall not use the Confidential Information other than for the Company's benefit. The Manager recognizes and understands that his work at the Company and his access to the Confidential Information give rise to a relationship of trust with respect to such Confidential Information.
  3. The Manager declares that he has been made aware that all of the rights in the Confidential Information are the exclusive property of the Company (or of the third party to which the Company has undertaken to keep the Information confidential). Without derogating from the generality of the aforesaid, the Manager agrees that all of the Confidential Information that was prepared, collected, processed, received, kept or was in his use with respect to his employment in the Company (the "**Material**") shall be the exclusive property of the Company and shall be deemed to be Confidential Information. Everything relating to the Material, including originals, copies and summaries, shall be transferred by the Manager to the Company upon termination of the term of his employment or at any time prior to such at the Company's demand, without the Manager keeping any copies of the above and without the Manager having a right of lien over them. The Manager shall not remove the Material from the Company, unless such is required by virtue of his job and for the purpose of his employment, and unless such is permitted in accordance with the Company's procedures. If the Material is removed from the Company's offices as set out above, the Director shall take all of the necessary measures in order to maintain absolute confidentiality of the Material and shall return such to its place immediately after such use.
-

4. Unless there is a lawful permit or approval for such, the Manager shall not use nor disclose Confidential Information or commercial secrets belonging to any third parties including to previous employers, towards which the Manager has a duty of confidentiality or non-use (including any academic institution or any related entity).

**Unfair Competition and Prohibited Solicitation**

5. The Manager undertakes that during the course of his employment at the Company, he shall not contract, set up, open or be in any way involved, directly or indirectly, either as an employee, owner, partner, agent, shareholder, director, adviser or in any other many, any business, occupation, employment or any other activity that is in competition with the Company's business.

The Manager undertakes that during the period of 12 months following termination of his employment at the Company for any reason whatsoever, he shall not contract, set up, open or be in any way involved, directly or indirectly, either as an employee, owner, partner, agent, shareholder, director, adviser or in any other many, any business, occupation, employment or any other activity that is in which might reasonably include or require use of the Confidential Information. The Manager hereby confirms that it is reasonable that any engagement, set-up, opening or involvement, directly or indirectly, whether as an employee, owner, partner, agent, shareholder, director, adviser or in any other capacity, of any business, profession, employment or any other activity that is in competition with the Company's business, as such was during the term of the Manager's employment, or with the Company's business as planned during the term of his employment, might require the use of all or part of the Confidential Information.

The Manager agrees that in light of his position at the Company and his exposure to the Confidential Information, the provisions of this section 5 are reasonable and necessary for the purpose of lawfully protecting the Confidential Information, which constitutes a principal asset of the Company and he undertakes to perform such as a condition of his employment by the Company. The Manager declares that he has carefully read the provisions of this undertaking, that he understands the outcome of this undertaking and agrees to the provisions hereof, and that he has assessed the advantages and disadvantages involved in entry into this undertaking for himself.

The Manager hereby declares that he is aware that part of his Salary contains additional consideration that is being provided for the Manager's undertaking under this non-competition stipulation. Without derogating from the aforesaid, the Manager declares that he has the financial capability to enter into this non-competition undertaking.

6. The Manager undertakes that during the course of his employment at the Company and for a period of 12 months thereafter, he shall not solicit, persuade or try to persuade any employee of the Company to cease his employment at the Company or to reduce the scope of his employment at the Company, and that he shall not employ such an employee. Furthermore, the Manager shall not solicit, persuade, try to solicit or try to persuade, directly or indirectly, any consultant, service provider, agent, distributor, customer or supplier of the Company to terminate, reduce or alter their relationship with Company. All of the above shall apply both directly and indirectly.
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#### **Title to Inventions**

7. The Manager shall give notice and shall transfer to the Company or to whomever is appointed for such on its behalf with all inventions, improvements, enhancements, formulas, processes, techniques, professional knowledge and technological information, whether able to be registered as a patent, as copyright or any similar law or not, which come into being, are invented, made, developed or raised as an idea or implemented, or which may be deduced by the Manager alone or jointly with others, during the course of the Manager's employment at the Company (including after business hours, on weekends , or during vacations) (all of the aforesaid shall hereinafter be defined as: "**Inventions**" or the "**Invention**"), immediately upon discovery, receipt, generation or invention thereof, as the case may be.
  8. The Manager agrees that any Inventions, as of the date of their invention or creation shall be the Inventions of the Company, shall be the exclusive property of the Company and its transferees, and the Company and its transferees shall be the exclusive owners of all of the property, rights and interests in the patents, copyright, commercial secrets and all of the other rights of any kind whatsoever, including moral rights with respect to the Inventions. The Manager hereby irrevocably and unconditionally assigns all of the rights set out below with respect to all of the Inventions to the Company: (1) all property, rights and interests in patents, patent applications and patent rights, extensions or expansions thereof; (2) rights related to a work, including copyright or applications for copyright, moral rights (as defined below) and proprietary rights in design; (3) rights related to the protection of commercial secrets and confidential information; (4) designs and the rights related thereto; (5) other proprietary rights related to intangible assets including trademarks, service marks and the implementation thereof, commercial names and packaging, and all of the goodwill related to them; (6) any property, rights and interests in any Invention; and (7) rights to sue for breach of any of the rights set out above and the right to revenues, royalties and other payments for the rights set out above. The Manager hereby waives all of the moral rights (as defined below) that it might have with respect to the Inventions, even after termination of his employment at the Company, and agrees never to sue with respect to such rights. "**Moral rights**" shall mean any right of an author to claim that his name be mentioned on his work, any right to object to any change in the work and any similar right that exists under any law in any country in the world, or under any treaty.
  9. The Manager has attached hereto as Appendix B1, a list of all of the Inventions, enhancements, improvements, formulas, processes, techniques, professional knowledge and technological information, whether able to be registered as a patent, as copyright or under any similar law, or not, and whether in fact implemented or not, original works and commercial secrets created or conceived or belonging to the Manager (whether generated by the Manager alone or jointly with others), which: (1) were developed by the Manager prior to his contract with the Company (hereinafter jointly: the "**Previous Inventions**"); (2) are related to the existing or planned business, products or research and development of the Company; and (3) are not assigned in favor of the Company pursuant to this Agreement; or, if the aforesaid **Appendix B1** is missing or not attached at all, the Manager hereby declares that no such Previous Inventions exist.
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10. The Manager undertakes that during the term of his employment at the Company and thereafter, he shall take all of the actions reasonably necessary or required by the Company and he shall assist the Company, at its expense, in any way that it may request, in order to register, preserve, protect and enforce the Inventions in all countries around the world. These actions shall include, inter alia, the execution of documents and assistance in legal proceedings. The Manager hereby irrevocably authorizes and appoints the Company or a person appointed on its behalf as attorney for the Manager to act in his stead and in his place, to sign any document, to submit it and to do any other action on behalf of the Manager which may be permitted under any law in order to enable the registration, preservation, protection and enforcement of the Inventions in all countries around the world.
11. The Manager shall not be entitled with respect to the above to any monetary or other consideration apart from that set out expressly in his Employment Agreement or beyond the provisions of any other special agreement or arrangement in this regard made in writing and signed by the Company. Without derogating from the generality of the aforesaid, the Manager irrevocably confirms that the consideration paid to the Manager under the express conditions of this Employment Agreement shall be in lieu of any right that the Manager might have been entitled to receive by law for payment for the Inventions and the Manager hereby waives any right to receive royalties or any other payment for the Inventions, including under section 134 of the Patents Law, 5727-1967. With respect to the above, no arrangement, contract or agreement made orally or in writing shall have any effect unless such is in writing and lawfully signed by the Company.

#### **General**

12. The Manager declares that in the performance of his undertakings under this Deed of Undertaking, and his function as an employee of the Company, he is not in breach of any undertaking regarding the assignment of inventions, non-competition, confidentiality or any similar undertaking towards, or right of, any previous employer (including any academic institution or any related entity). The Manager recognizes the fact that the Company has relied on this declaration in its decision to employ him at the Company.
  13. The Manager agrees that the provisions of this undertaking which constitute an integral part of the conditions of his employment, are reasonable and necessary for the purpose of protecting the legitimate interests of the Company with respect to the subject of this undertaking.
  14. The Manager recognizes that in the event of breach of any of the provisions of this Deed of Undertaking, the Company might suffer damages that cannot be remedied and therefore, in the event of a breach of this Deed of Undertaking, the Company shall be entitled to an injunction in order to enforce this Deed of Undertaking (without derogating from the other remedies to which the Company might be entitled in such a case, under any law).
  15. Should it be ruled by any competent judicial instance that any of the provisions of this Deed of Undertaking are not valid or enforceable, in any way whatsoever, such provision shall be enforced to the extent possible in accordance with the intention of the Company and the Manager. If such provision cannot be enforced in accordance with such intention, the provision shall be deemed to have been amended so that those parts of it which are held, as aforesaid, to be invalid or unenforceable, may be deleted therefrom, only in such country or region in which the decision that the provision is invalid or unenforceable as aforesaid has been handed down, in accordance with the local law. In addition, if it is held that a particular provision contained in this undertaking is too broad in terms of the time periods, geographical scope, actions or subject matter set out herein, it shall be interpreted such that the provision shall be limited and restricted with respect to such characteristic, so that the provision shall be enforceable to the greatest extent possible that is suitable to the applicable law as may be in force at such time.
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16. The provisions of this undertaking shall remain in full force even after termination of the employment between the Company and the Manager, for any reason whatsoever. This undertaking shall not in any way derogate from the undertakings and liabilities of the Manager under any law.
17. The Manager hereby agrees that following termination of the employment between the Company and the Manager, the Company shall be entitled to give notice to the Manager's new employer of the Manager's rights and obligations pursuant to this Deed of Undertaking.
18. This Deed of Undertaking constitutes the full agreement between the Company and the Manager with respect to the subject of this Deed of Undertaking. Any addition, amendment or waiver of any undertaking pursuant to this Deed of Undertaking shall only be valid if in writing and signed by the Company as well. The Company's waiver of the Manager's undertaking shall constitute a one-time waiver and shall not constitute a precedent or serve for the drawing of inferences to similar, different or other cases.
19. This Deed of Undertaking and the rights and obligations hereunder shall be valid towards the substitutes, transferees and legal representatives of the Manager and the Company. The Company shall be entitled to assign all or part of its rights under this Deed of Undertaking. The Manager shall not convert, assign or otherwise transfer the duties imposed upon him under this Deed of Undertaking other than with the prior written consent of the Company.

Tanya Yosef \_\_\_\_\_

Date: January 14, 2021

The Manager: \_\_\_\_\_

The Company: \_\_\_\_\_

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**General Authorization (Consolidated Version) regarding Employer Payments into Pension Funds and Insurance Funds in lieu of Severance Pay**

**Pursuant to the Severance Pay Law, 5723-1963**

By virtue of my authority pursuant to section 14 of the Severance Pay Law, 5723-1963, (hereinafter: the "Law"), I authorize that payments made by the Employer as of the date of publication of this Certificate, for the Employee, into a comprehensive pension in an annuity fund which is not an insurance fund as defined in the Income Tax (Rules for Approval of and Management of Pension Funds) Regulations, 5724-1964 (hereinafter: a "Pension Fund"), or into an executive insurance policy which includes the ability to pay an annuity or a combination of payments into an annuity plan and a plan which is not an annuity plan, into such insurance fund (hereinafter: an "Insurance Fund"), including payments made by combining payments into a Pension Fund and an Insurance Fund, whether the Insurance Fund contains an annuity plan or not (hereinafter: "Employer Payments") shall stand in lieu of the severance pay owing on the Salary out of which the aforesaid payments are made, and for the period paid (hereinafter: the "Severance Salary"), provided that all of the above exist:

1. Employer's payments –

- (a) Into a Pension Fund shall be no less than  $14\frac{1}{3}\%$  of the Severance Salary or 12% of the Severance Salary if the Employer also makes payments for the Employee, in addition to the above, for supplementation of severance pay into a severance pay pension fund or an Insurance Fund in the Employee's name in the rate of  $2\frac{1}{3}\%$  of the Severance Salary. Where the Employer has not paid the aforesaid  $2\frac{1}{3}\%$  in addition to the 12%, the Employer's payments shall stand in lieu of 72% of the Employee's severance pay only;
- (b) Into an Insurance Fund are no less than one of the following:
  - (1)  $13\frac{1}{3}\%$  of the Severance Salary, if the Employer pays for the Employee, in addition to the above, for monthly salary assurance in the event of loss of capacity to work, under a plan approved by the Commissioner for Capital Markets, Insurance and Savings at the Ministry of Finance, in the rate required to assure 75% of the Severance Salary at least, or in the rate  $2\frac{1}{2}\%$  of the Severance Salary, whichever is the lesser (hereinafter: "Payment for Insurance of Loss of Capacity to Work");
  - (2) 11% of the Severance Salary, if the Employer also makes payment for insurance for loss of capacity to work, in which case the Employer's payments shall be in lieu of 72% of the Employee's severance pay, only; should the Employer make payments to supplement severance pay in addition to the above into a Pension Fund or Insurance Fund for severance pay in the Employee's name, in the rate of  $2\frac{1}{3}\%$  of the Severance Salary, the Employer's payments shall be in lieu of 100% of the Employee's severance pay.

2. No more than 3 months after the commencement of the Employer's payments, a written agreement is entered into between the Employer and the Employee containing:

- A. The Employee's consent to an arrangement under this Authorization in a form setting out the Employer's payments to the Pension Fund or Insurance Fund, as the case may be; such agreement shall also contain the wording of this Authorization;
- B. A waiver by the Employer in advance of any right that it may have to restitution of the monies from its payments, unless the Employee's right to severance pay is repudiated in a judgment under sections 16 and 17 of the Law, and to the extent so repudiated, or that the Employee has withdrawn monies from the Pension Fund or the Insurance Fund not due to an entitling event; in this regard, "entitling event" – death, disability or retirement at the age of 60 or more.
- C. This Authorization shall not derogate from an employee's right to severance pay under the Law, under a collective agreement, extension order or employment contract, in respect of salary above the exempt salary.

(Eliyahu Yishai)

The Manager: \_\_\_\_\_

The Company: \_\_\_\_\_

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**Exhibit 10.22****Employment Agreement**Of July 1, 2019**Between: ScoutCam Ltd., Company No. 515950400**

Of 7A Gan Hata'asiya St., Omer, Israel

e-mail: [info@scoutcam.com](mailto:info@scoutcam.com) (the "Company")**And: Katrin Dlugach , identity no. 321181224**

Address: Barkan 30, Maboim

**Employment and Compensation**

1. The Parties wish to enter into an employment agreement for an unfixed period, in accordance with the conditions and provisions of this Employment Agreement. The date of commencement of the Employee's employment, his job, his direct supervisor, and other issues relating to the conditions of the Employee's employment, including consideration, are set out in **Appendix A**, which is attached hereto.
  2. In the performance of his job, the Employee shall devote all of his time, attention, ability and effort exclusively for the performance of his duties at the Company and he undertakes not to engage, either as an employee or otherwise, in any business, commercial or professional activities, either for consideration or otherwise, during the term of his employment, without receiving the Company's prior written consent to such. The provisions of this section shall not derogate from the Employee's undertakings as set out in **Appendix B** which is attached hereto.
  3. Each party shall be entitled to rescind this Agreement at any time, by giving prior notice as set out in **Appendix A** below, and subject to any law.
  4. Notwithstanding the provisions of section 3 above, and without derogating from its rights under this Agreement or under any law, the Company shall be entitled to terminate the employment of the Employee without prior notice, upon the occurrence of one of the following cases: (a) breach of the Employee's fiduciary duty, intentional damage to the Company's property, dealing in competing activity or any breach of Appendix B below; or (b) a fundamental breach of the provisions of this Agreement on condition that the Employee has not remedied the breach (to the extent that it can be remedied) within 7 days of receipt of a warning from the Company; or (c) indictment of the Employee for a criminal offense (except for a fine-related offense) or for involvement in sexual harassment incidentally to the Employee's employment at the Company; or (d) the Employee has put himself in a position of conflict of interests; or (e) any other circumstance in respect of which it is legally permissible to fire an employee without the giving of prior notice.
  5. The Employee shall not have a right of lien over the assets, equipment or any other of the Company's property that might be in his possession. The Employee shall return all of the Company's property that is in his possession not later than the date of termination of employer-employee relations, prior to his taking any unpaid leave or within 7 days of receipt of a demand to do so from the Company.
  6. The provisions of this Agreement shall not derogate from any right afforded to the Employee under any law, extension order, collective agreement, employment contract or any other contract relating to the conditions of his employment.
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#### **Confidentiality, Prohibition of Competition and Title to Inventions**

7. Together with the execution of this Agreement, the Employee shall sign an undertaking to the Company regarding confidentiality, prohibition of unfair competition, and title to inventions, which is attached hereto as **Appendix B**.

#### **Representations and Undertakings of the Employee**

The Employee declares and undertakes as follows:

8. He has the ability, skills and knowledge that are necessary for the performance of his Job pursuant to this Agreement, and he does not suffer from any physical or mental health deficiency that might unreasonably prevent or impede him in the performance of his job and his other obligations under this Agreement.
  9. He is not bound by any undertaking or other agreement whatsoever that might restrict or prevent him from entering into this Agreement and performing his undertakings hereunder. By executing this Agreement and performing his job, he is not and will not be in breach of, or in a conflict of interests with: (1) the rights of his previous employers or his undertakings to them; or (2) his undertakings under any other document to which he is a party, or which binds him.
  10. He shall give notice to the Company, immediately, of any matter or subject in respect of which he or his close family might have a personal interest or that might generate a conflict of interests with his job and employment at the Company.
  11. He shall not receive any beneficial interest from any third party, directly or indirectly, with respect to his employment. Should the Employee breach this undertaking, then without derogating from the rest of the Company's rights, the beneficial interest or the value thereof shall be the property of the Company alone, and the Employee hereby grants the Company leave to deduct the value of the beneficial interest from any sum that may be owing to the Employee from it. This section shall not apply to gifts or benefits of a marginal value.
  12. In the context of his employment, he shall not act in contravention of the signature rights that are prescribed by the Company.
  13. Employee acknowledges and agrees that from time to time Employee may be required by the Company to travel and stay abroad as part of Employee's obligations under this Agreement. Employee hereby acknowledges and agrees that while Employee is abroad as part of Employee's obligations under this Agreement, Employee shall serve as a senior representative of the Company, a position which requires a special degree of personal trust, as defined in the Working Hours and Rest Law, 1951 (the "Working Hours and Rest Law"). Therefore, in these special circumstances, the provisions of the Working Hours and Rest Law shall not apply to the Employee's employment under this Agreement. Employee acknowledges that while Employee is abroad as part of Employee's obligations under this Agreement, Employee shall be required to work "overtime" hours, including during late hours and during "weekly hours of rest", and that Employee shall not be granted any additional compensation with regard to such "overtime" hours. Employee acknowledges that the monetary implications of this provision have been taken into account by the parties to this Agreement in their decision on the compensation specified in Appendix A and by the Employee in the Employee's decision to engage in this Agreement.
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14. For the purpose of performance of his job, the Company may provide the Employee with a computer, hardware, software, an email address and/or mobile telephone as the case may be ("**Computers**") which shall be the exclusive property of the Company. Subject to the Company's procedures in this regard, and without derogating from his undertakings and the performance of his job pursuant to this Agreement, the Employee shall be entitled to make reasonable, private use of the Computers provided that the Employee shall not be entitled to store private files on the Computers (except for private folders that are prominently marked as such) and shall not be entitled to store Company files on private storage measures. It is clarified that the professional email address shall be used for professional purposes only, whilst the Employee shall be entitled, for private purposes, to use external email services (such as gmail).
15. The Employee is aware and agrees that: (1) the Company may allow other employees and third parties to make use of the Computers; (2) in order to preserving its legitimate interests, the Company may monitor the activities on the Computers, including the usage log and the contents of email and internet correspondence, which shall be admissible as evidence in legal proceedings; (3) in light of the Employee's undertakings above, the Employee shall not have a right to privacy with respect to the contents of the Computers, with the exception of private folder that have been prominently marked as such.
16. The Employee is aware and agrees that the information about him and about the conditions of his employment which may be accrued and documented by the Company (the "**Information**") may be provided to third parties, including outside of Israel, on condition that: (a) such transfer is effected for the purpose of the performance of some relevant legal provision or for the purpose of the Company's business (including any transactions related thereto); (b) no information shall be provided beyond what is necessary and reasonable; (c) the party to which the information is provided shall undertake to the Company, to the extent that such is possible and relevant, that it shall maintain the privacy of the information at a level of protection that is at least that which is employed by the Company with respect to the information.
17. In the event of rescission of this Agreement, for any reason whatsoever, the Employee shall cooperate with the Company and shall make best endeavors to assist in the orderly transition of his job at the Company, and in the orderly overlap between him and the person or persons due to replace him in his job.

#### **General Provisions**

18. This Agreement and the Appendixes hereto constitute the full agreement between the Parties and prevail over any prior agreement, offer, understanding, correspondence, content, conversation or arrangement, whether in writing or oral, if any, between the Parties, with respect to the conditions of the Employee's employment. Any matter not expressly regulated in this Agreement shall be in accordance with the law. Any amendment and/or addition to this Agreement shall bind the Parties to this Agreement and shall only be in force if it is in writing and signed by the Parties.
  19. Israeli law shall apply to this Agreement. The competent courts / tribunals in the city of Tel Aviv Yafo shall have exclusive jurisdiction with respect to any matter stemming from this Agreement or with respect to this Agreement.
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20. All notices must be sent by one party to the other by registered mail, by email or by hand delivery to the address at the top of this Agreement or to such other address as a Party may notify. Any notice shall be deemed to have been received by the recipient: if sent by registered mail – 4 business days after dispatch; if sent by email – one business day after dispatch provided that an automatic confirmation is obtained from the server that the notice reached its destination; if delivered by hand – upon delivery provided that a “certificate of delivery” is received.

The Employee declares that: (1) he has read carefully and has understood all of the provisions of the Agreement and the Appendixes hereto; (2) he has been given a reasonable opportunity to consult with third parties, including with an advocate; (3) he has signed this Agreement with full volition and consent.

In witness whereof, the Parties have hereunto set their hands:

The Employee: /s/ Katrin Dlugach

The Company: /s/ Yaron Silberman

/s/ Tanya Yosef

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#### **Appendix A – Conditions of Employment**

1. **Date of Commencement, Job and Supervisor** – The Employee's employment shall commence on July 1, 2019, full time, in the position of VP of Research and Development or such other similar position, whatever its title may be. The Employee's shall report directly to the CTO of the Company.
2. **Working Hours** - Employee shall be employed on a 5-day workweek basis. Employee's working hours shall be in accordance with the Company's policy, as in effect from time to time. On the date of signature of this Agreement the normal working hours of the Company are 8 am to 5pm, except on one shorter workday as determined by the Company. On the date of signature of this Agreement, the shorter weekly worday is Thursday. The Company may instruct the Employee to work overtime. Employee's entitlement to breaks will be in accordance with any applicable law. Employee's rest day shall be Saturday.
3. **Prior Notice** – two months in advance. Notice shall be given notice in writing however, even if notice is not given in writing as aforesaid, the Employee shall be deemed to have resigned if he gives clear notice in such regard.
4. **Salary** - A gross monthly salary of NIS 20,400 (the "**Base Salary**"). An additional global payment of NIS 5,580 per month for up to 40 overtime hours at an hourly rate of 125% and NIS 4,020 per month for up to 24 overtime hours at an hourly rate of 150% (the "**Global Overtime Payment**") – up to 64 overtime hours in total (the "**Quota**"). Employee will be entitled to full Global Overtime Payment even if the entire Quota was not met.

The parties estimate that the Quota reflects the actual overtime hours that Employee may work and therefore, the Global Overtime Payment is sufficient to cover all overtime work. The Company undertakes that the Global Overtime Payment shall be raised together with any Base Salary increase.

The parties agree that the Global Overtime Payment be treated, for all intents and purposes, as salary payment and therefore the Base Salary and the Global Overtime Payment shall be collectively referred to as the "**Salary**". Any payment or benefit under this Appendix A, other than the Salary, shall not be considered as a salary for any purpose whatsoever, and the Employee shall not maintain or claim otherwise. The Salary shall be payable on such dates as required by law.

5. **Pension Arrangements** – The Company shall insure the Employee under a pension arrangement of his choice (insurance fund, pension fund or a combination of the two), in accordance with the rates and conditions that are set out below:
    - 5.1. **Insurance fund ("executive insurance")** – in accordance with the following components:
      - 5.1.1. Insurance for loss of capacity to work – the Company shall, at its own expense and from an insurer of its choice, purchase coverage in the event of loss of capacity to work with the usual and acceptable conditions, at the rate that is necessary for the insurance of 75% of the Salary. The Company's payment for insurance for loss of capacity to work shall not, in any event, be greater than 2.5% of the Salary.
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- 5.1.2. The Company's provisions for severance pay -  $8\frac{1}{3}\%$  of the Salary.
- 5.1.3. The Company's provisions for compensation – the difference between 6.5% of the Salary and the Company's payment for insurance for loss of capacity to work, provided that in any event, the Company's provisions for compensation shall not be less than 5% of the Salary.
- 5.1.4. The Employee's provisions for compensation – 6% of the Salary.
- 5.2. Pension fund – in accordance with the following components: The Company's provisions for severance pay –  $8\frac{1}{3}\%$  of the Salary; the Company's provisions for compensation - 6.5% of the Salary; the Employee's provisions for compensation - 6% of the Salary.
6. **Release of Pension Funds** – The Parties adopt the provisions of the General Authorization regarding Employer Payments into Pension Funds and Insurance Funds in lieu of Severance Pay, which was issued pursuant to the Severance Pay Law, 5723-1963, as is in force from time to time, a copy of which is attached to this Agreement as **Appendix C**. The Company hereby waives its right to a refund of the monies that it paid to the Pension Fund and/or to an executive insurance policy unless the Employee's right to severance pay is repudiated in a judgment pursuant to sections 16 and 17 of the Severance Pay Law, 5723-1963 (in accordance with the provisions thereof), or if the Employee withdraws monies from the pension fund and/or executive insurance policy, other than due to an "entitling event". For this purpose, an "entitling event": death, disability or retirement at age sixty or above. The Employee declares, confirms and undertakes that the Company's provisions for the executive insurance policy or pension fund shall stand in place of all of the severance pay owing to him if any, pursuant to section 14 of the Severance Pay Law, 5723-1963, and in accordance with the General Authorization referred to above.
7. **Study Fund** – The Company and the Employee shall set up a study fund for the Employee. The Company shall deposit a sum equal to 7.5% of the Salary into a study fund each month, and the Employee shall set aside a sum equal to 2.5% of the Salary to the study fund. The Employee hereby instructs the Company to transfer the sums constituting the Employee's portion of the provisions, to the study fund.
8. **Vacation** – The Employee shall be entitled to leave of 20 days of work for each period of twelve (12) months of employment (the "**Annual Quota**") but in any event, not less than that which is set out in the Annual Leave Law, 5711-1951, as such may be from time to time (the "**Annual Leave Law**"). The Company encourages its employees to take leave and to use up the entire Annual Quota of leave days. However, the Employee shall be entitled to accrue vacation days in a quantity of not more than twice the Annual Quota (the "**Accrual Quota**"). Vacation days beyond the Accrual Quota shall be deleted without the Employee being given compensation for such. The dates for taking vacations shall be prescribed by the Company at its discretion, in accordance with its possibilities and needs, and where possible, taking into account the Employee's wishes. The Company shall be entitled to decide on a uniform annual leave period for all or some of its employees, with respect to some or all of their annual leave quota, as it may see fit.
9. **Sick Pay** – The Employee shall be entitled to the payment of sick pay in accordance with the provisions of the Sick Pay Law, 5736-1976. In the event that the Employee is absent from work due to illness, the Employee shall inform the Company of the illness on the first day of such absence, unless the Employee is unable to give such notice due to his medical condition, in which case the notice shall be given as soon as possible. Such notice shall refer, inter alia, to the estimated period in which the Employee is unable to work.
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10. **Convalescence Pay** – The Employee shall be entitled to payment of convalescence pay in accordance with the Extension Order regarding Payment of Convalescence Pay.
11. **Travel Pay** – The Employee shall be entitled to a payment of travel pay in a gross monthly sum of NIS 4,600.
12. **Business Expenses** – The Company shall refund any payment to the Employee for necessary and acceptable business expenses incurred by the Employee, in accordance with the Company's policy, as may be updated from time to time.
15. **Taxes and Mandatory Payments** – All of the taxes and benefits under this Agreement shall be gross sums. The Company shall deduct taxes and other mandatory payments as required by the law.

The Employee: /s/ Katrin Dlugach

The Company: /s/ Yaron Silberman

/s/ Tanya Yosef

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## **Appendix B – Deed of Undertaking**

This Deed of Undertaking was executed on July 1, 2019 by Katrin Dlugach, identity card no. 321181224, of Barkan30, Maboin, Israel (hereinafter: the “**Employee**”).

Since the Employee wishes to enter into an employment agreement with ScoutCam Ltd. (the “**Company**”) and since the preservation of the Confidential Information (as defined below), the Company’s rights in Inventions (as defined below) and in all of the intellectual property rights auxiliary to such, are essential to the Company, the Employee is executing this Undertaking as a condition of his employment by the Company, and he undertakes to perform it verbatim.

In this Deed of Undertaking, all of the Employee’s undertakings to the Company shall be made to any parent companies, subsidiaries, sister companies and related companies to the Company, directly or indirectly, and the substitutes or transferees of such companies.

### **Confidential Information**

1. The Employee recognizes the fact that he has and that he will have access to information that is confidential in nature (whether marked as such or not), that is related to the Company, including with respect to its commercial secrets, professional knowledge, technology, products (including products under development), research and development, experiments, formulas and processes, inventions, business, assets, financial condition, contracts and undertakings, obligations, operations, marketing and sales promotion issues, plans (including business and financial plans), strategies, procedures, forecasts, customers, suppliers, business partners and third parties to whom the Company has undertaken to keep information confidential and information relating to its employees, consultants, office bearers, directors and shareholders (all hereinafter jointly: the “**Confidential Information**”). The Confidential Information might be in any form whatsoever, including in writing, oral or on a magnetic or electronic medium. Confidential Information shall not include information that has come into the public domain as a result of a breach of this Deed of Undertaking by the Employee or information which the Employee is required to disclose pursuant to the legal demand of a competent authority, on condition that: (a) the Employee gives notice to the Company of such demand, immediately; (b) the Employee cooperates with the Company, if necessary, in order to reduce the scope of the demand; (c) the Employee does not disclose it beyond his duty to disclose in accordance with the aforesaid demand.
  2. During the term of his employment and at all times thereafter, without any limitation in time, the Employee shall strictly preserve the Confidential Information and shall ensure its confidentiality, and shall not disclose the Confidential Information to any person or entity and shall not use the Confidential Information other than for the Company’s benefit. The Employee recognizes and understands that his work at the Company and his access to the Confidential Information give rise to a relationship of trust with respect to such Confidential Information.
  3. The Employee declares that he has been made aware that all of the rights in the Confidential Information are the exclusive property of the Company (or of the third party to which the Company has undertaken to keep the Information confidential). Without derogating from the generality of the aforesaid, the Employee agrees that all of the Confidential Information that was prepared, collected, processed, received, kept or was in his use with respect to his employment in the Company (the “**Material**”) shall be the exclusive property of the Company and shall be deemed to be Confidential Information. Everything relating to the Material, including originals, copies and summaries, shall be transferred by the Employee to the Company upon termination of the term of his employment or at any time prior to such at the Company’s demand, without the Employee keeping any copies of the above and without the Employee having a right of lien over them. The Employee shall not remove the Material from the Company, unless such is required by virtue of his job and for the purpose of his employment, and unless such is permitted in accordance with the Company’s procedures. If the Material is removed from the Company’s offices as set out above, the Director shall take all of the necessary measures in order to maintain absolute confidentiality of the Material and shall return such to its place immediately after such use.
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4. Unless there is a lawful permit or approval for such, the Employee shall not use nor disclose Confidential Information or commercial secrets belonging to any third parties including to previous employers, towards which the Employee has a duty of confidentiality or non-use (including any academic institution or any related entity).

**Unfair Competition and Prohibited Solicitation**

5. The Employee undertakes that during the course of his employment at the Company, he shall not contract, set up, open or be in any way involved, directly or indirectly, either as an employee, owner, partner, agent, shareholder, director, adviser or in any other many, any business, occupation, employment or any other activity that is in competition with the Company's business.

The Employee undertakes that during the period of 12 months following termination of his employment at the Company for any reason whatsoever, he shall not contract, set up, open or be in any way involved, directly or indirectly, either as an employee, owner, partner, agent, shareholder, director, adviser or in any other many, any business, occupation, employment or any other activity that is in which might reasonably include or require use of the Confidential Information. The Employee hereby confirms that it is reasonable that any engagement, set-up, opening or involvement, directly or indirectly, whether as an employee, owner, partner, agent, shareholder, director, adviser or in any other capacity, of any business, profession, employment or any other activity that is in competition with the Company's business, as such was during the term of the Employee's employment, or with the Company's business as planned during the term of his employment, might require the use of all or part of the Confidential Information.

The Employee agrees that in light of his position at the Company and his exposure to the Confidential Information, the provisions of this section 5 are reasonable and necessary for the purpose of lawfully protecting the Confidential Information, which constitutes a principal asset of the Company and he undertakes to perform such as a condition of his employment by the Company. The Employee declares that he has carefully read the provisions of this undertaking, that he understands the outcome of this undertaking and agrees to the provisions hereof, and that he has assessed the advantages and disadvantages involved in entry into this undertaking for himself.

The Employee hereby declares that he is aware that part of his Salary contains additional consideration that is being provided for the Employee's undertaking under this non-competition stipulation. Without derogating from the aforesaid, the Employee declares that he has the financial capability to enter into this non-competition undertaking.

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6. The Employee undertakes that during the course of his employment at the Company and for a period of 12 months thereafter, he shall not solicit, persuade or try to persuade any employee of the Company to cease his employment at the Company or to reduce the scope of his employment at the Company, and that he shall not employ such an employee. Furthermore, the Employee shall not solicit, persuade, try to solicit or try to persuade, directly or indirectly, any consultant, service provider, agent, distributor, customer or supplier of the Company to terminate, reduce or alter their relationship with Company. All of the above shall apply both directly and indirectly.

#### **Title to Inventions**

7. The Employee shall give notice and shall transfer to the Company or to whomever is appointed for such on its behalf with all inventions, improvements, enhancements, formulas, processes, techniques, professional knowledge and technological information, whether able to be registered as a patent, as copyright or any similar law or not, which come into being, are invented, made, developed or raised as an idea or implemented, or which may be deduced by the Employee alone or jointly with others, during the course of the Employee's employment at the Company (including after business hours, on weekends, or during vacations) (all of the aforesaid shall hereinafter be defined as: "**Inventions**" or the "**Invention**"), immediately upon discovery, receipt, generation or invention thereof, as the case may be.
  8. The Employee agrees that any Inventions, as of the date of their invention or creation shall be the Inventions of the Company, shall be the exclusive property of the Company and its transferees, and the Company and its transferees shall be the exclusive owners of all of the property, rights and interests in the patents, copyright, commercial secrets and all of the other rights of any kind whatsoever, including moral rights with respect to the Inventions. The Employee hereby irrevocably and unconditionally assigns all of the rights set out below with respect to all of the Inventions to the Company: (1) all property, rights and interests in patents, patent applications and patent rights, extensions or expansions thereof; (2) rights related to a work, including copyright or applications for copyright, moral rights (as defined below) and proprietary rights in design; (3) rights related to the protection of commercial secrets and confidential information; (4) designs and the rights related thereto; (5) other proprietary rights related to intangible assets including trademarks, service marks and the implementation thereof, commercial names and packaging, and all of the goodwill related to them; (6) any property, rights and interests in any Invention; and (7) rights to sue for breach of any of the rights set out above and the right to revenues, royalties and other payments for the rights set out above. The Employee hereby waives all of the moral rights (as defined below) that it might have with respect to the Inventions, even after termination of his employment at the Company, and agrees never to sue with respect to such rights. "**Moral rights**" shall mean any right of an author to claim that his name be mentioned on his work, any right to object to any change in the work and any similar right that exists under any law in any country in the world, or under any treaty.
  9. The Employee has attached hereto as Appendix B1, a list of all of the Inventions, enhancements, improvements, formulas, processes, techniques, professional knowledge and technological information, whether able to be registered as a patent, as copyright or under any similar law, or not, and whether in fact implemented or not, original works and commercial secrets created or conceived or belonging to the Employee (whether generated by the Employee alone or jointly with others), which: (1) were developed by the Employee prior to his contract with the Company (hereinafter jointly: the "**Previous Inventions**"); (2) are related to the existing or planned business, products or research and development of the Company; and (3) are not assigned in favor of the Company pursuant to this Agreement; or, if the aforesaid **Appendix B1** is missing or not attached at all, the Employee hereby declares that no such Previous Inventions exist.
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10. The Employee undertakes that during the term of his employment at the Company and thereafter, he shall take all of the actions reasonably necessary or required by the Company and he shall assist the Company, at its expense, in any way that it may request, in order to register, preserve, protect and enforce the Inventions in all countries around the world. These actions shall include, inter alia, the execution of documents and assistance in legal proceedings. The Employee hereby irrevocably authorizes and appoints the Company or a person appointed on its behalf as attorney for the Employee to act in his stead and in his place, to sign any document, to submit it and to do any other action on behalf of the Employee which may be permitted under any law in order to enable the registration, preservation, protection and enforcement of the Inventions in all countries around the world.
11. The Employee shall not be entitled with respect to the above to any monetary or other consideration apart from that set out expressly in his Employment Agreement or beyond the provisions of any other special agreement or arrangement in this regard made in writing and signed by the Company. Without derogating from the generality of the aforesaid, the Employee irrevocably confirms that the consideration paid to the Employee under the express conditions of this Employment Agreement shall be in lieu of any right that the Employee might have been entitled to receive by law for payment for the Inventions and the Employee hereby waives any right to receive royalties or any other payment for the Inventions, including under section 134 of the Patents Law, 5727-1967. With respect to the above, no arrangement, contract or agreement made orally or in writing shall have any effect unless such is in writing and lawfully signed by the Company.

#### **General**

12. The Employee declares that in the performance of his undertakings under this Deed of Undertaking, and his function as an employee of the Company, he is not in breach of any undertaking regarding the assignment of inventions, non-competition, confidentiality or any similar undertaking towards, or right of, any previous employer (including any academic institution or any related entity). The Employee recognizes the fact that the Company has relied on this declaration in its decision to employ him at the Company.
  13. The Employee agrees that the provisions of this undertaking which constitute an integral part of the conditions of his employment, are reasonable and necessary for the purpose of protecting the legitimate interests of the Company with respect to the subject of this undertaking.
  14. The Employee recognizes that in the event of breach of any of the provisions of this Deed of Undertaking, the Company might suffer damages that cannot be remedied and therefore, in the event of a breach of this Deed of Undertaking, the Company shall be entitled to an injunction in order to enforce this Deed of Undertaking (without derogating from the other remedies to which the Company might be entitled in such a case, under any law).
  15. Should it be ruled by any competent judicial instance that any of the provisions of this Deed of Undertaking are not valid or enforceable, in any way whatsoever, such provision shall be enforced to the extent possible in accordance with the intention of the Company and the Employee. If such provision cannot be enforced in accordance with such intention, the provision shall be deemed to have been amended so that those parts of it which are held, as aforesaid, to be invalid or unenforceable, may be deleted therefrom, only in such country or region in which the decision that the provision is invalid or unenforceable as aforesaid has been handed down, in accordance with the local law. In addition, if it is held that a particular provision contained in this undertaking is too broad in terms of the time periods, geographical scope, actions or subject matter set out herein, it shall be interpreted such that the provision shall be limited and restricted with respect to such characteristic, so that the provision shall be enforceable to the greatest extent possible that is suitable to the applicable law as may be in force at such time.
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16. The provisions of this undertaking shall remain in full force even after termination of the employment between the Company and the Employee, for any reason whatsoever. This undertaking shall not in any way derogate from the undertakings and liabilities of the Employee under any law.
17. The Employee hereby agrees that following termination of the employment between the Company and the Employee, the Company shall be entitled to give notice to the Employee's new employer of the Employee's rights and obligations pursuant to this Deed of Undertaking.
18. This Deed of Undertaking constitutes the full agreement between the Company and the Employee with respect to the subject of this Deed of Undertaking. Any addition, amendment or waiver of any undertaking pursuant to this Deed of Undertaking shall only be valid if in writing and signed by the Company as well. The Company's waiver of the Employee's undertaking shall constitute a one-time waiver and shall not constitute a precedent or serve for the drawing of inferences to similar, different or other cases.
19. This Deed of Undertaking and the rights and obligations hereunder shall be valid towards the substitutes, transferees and legal representatives of the Employee and the Company. The Company shall be entitled to assign all or part of its rights under this Deed of Undertaking. The Employee shall not convert, assign or otherwise transfer the duties imposed upon him under this Deed of Undertaking other than with the prior written consent of the Company.

Yaron

Silberman: /s/ Yaron Silberman

Date: February 28, 2019

The Employee: /s/ Katrin Dlugach

The Company: /s/ Yaron Silberman

/s/ Tanya Yosef

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### **Appendix C**

#### **General Authorization (Consolidated Version) regarding Employer Payments into Pension Funds and Insurance Funds in lieu of Severance Pay**

##### **Pursuant to the Severance Pay Law, 5723-1963**

By virtue of my authority pursuant to section 14 of the Severance Pay Law, 5723-1963, (hereinafter: the "Law"), I authorize that payments made by the Employer as of the date of publication of this Certificate, for the Employee, into a comprehensive pension in an annuity fund which is not an insurance fund as defined in the Income Tax (Rules for Approval of and Management of Pension Funds) Regulations, 5724-1964 (hereinafter: a "Pension Fund"), or into an executive insurance policy which includes the ability to pay an annuity or a combination of payments into an annuity plan and a plan which is not an annuity plan, into such insurance fund (hereinafter: an "Insurance Fund"), including payments made by combining payments into a Pension Fund and an Insurance Fund, whether the Insurance Fund contains an annuity plan or not (hereinafter: "Employer Payments") shall stand in lieu of the severance pay owing on the Salary out of which the aforesaid payments are made, and for the period paid (hereinafter: the "Severance Salary"), provided that all of the above exist:

1. Employer's payments –
    - (a) Into a Pension Fund shall be no less than  $14\frac{1}{3}\%$  of the Severance Salary or 12% of the Severance Salary if the Employer also makes payments for the Employee, in addition to the above, for supplementation of severance pay into a severance pay pension fund or an Insurance Fund in the Employee's name in the rate of  $2\frac{1}{3}\%$  of the Severance Salary. Where the Employer has not paid the aforesaid  $2\frac{1}{3}\%$  in addition to the 12%, the Employer's payments shall stand in lieu of 72% of the Employee's severance pay only;
    - (b) Into an Insurance Fund are no less than one of the following:
      - (1)  $13\frac{1}{3}\%$  of the Severance Salary, if the Employer pays for the Employee, in addition to the above, for monthly salary assurance in the event of loss of capacity to work, under a plan approved by the Commissioner for Capital Markets, Insurance and Savings at the Ministry of Finance, in the rate required to assure 75% of the Severance Salary at least, or in the rate  $2\frac{1}{2}\%$  of the Severance Salary, whichever is the lesser (hereinafter: "Payment for Insurance of Loss of Capacity to Work");
      - (2) 11% of the Severance Salary, if the Employer also makes payment for insurance for loss of capacity to work, in which case the Employer's payments shall be in lieu of 72% of the Employee's severance pay, only; should the Employer make payments to supplement severance pay in addition to the above into a Pension Fund or Insurance Fund for severance pay in the Employee's name, in the rate of  $2\frac{1}{3}\%$  of the Severance Salary, the Employer's payments shall be in lieu of 100% of the Employee's severance pay.
  2. No more than 3 months after the commencement of the Employer's payments, a written agreement is entered into between the Employer and the Employee containing:
    - A. The Employee's consent to an arrangement under this Authorization in a form setting out the Employer's payments to the Pension Fund or Insurance Fund, as the case may be; such agreement shall also contain the wording of this Authorization;
-

- B. A waiver by the Employer in advance of any right that it may have to restitution of the monies from its payments, unless the Employee's right to severance pay is repudiated in a judgment under sections 16 and 17 of the Law, and to the extent so repudiated, or that the Employee has withdrawn monies from the Pension Fund or the Insurance Fund not due to an entitling event; in this regard, "entitling event" – death, disability or retirement at the age of 60 or more.
- C. This Authorization shall not derogate from an employee's right to severance pay under the Law, under a collective agreement, extension order or employment contract, in respect of salary above the exempt salary.

(Eliyahu Yishai)

The Employee: /s/ Katrin Dlugach

The Company: /s/ Yaron Silberman

/s/ Tanya Yosef

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## Exhibit 10.32

**AMENDMENT TO  
WARRANT TO PURCHASE SHARES OF COMMON STOCK  
OF  
SCOUTCAM INC. (F/K/A INTELLISENSE SOLUTIONS INC.)  
(the "Corporation")**

THIS AMENDMENT TO THE WARRANT TO PURCHASE SHARES OF COMMON STOCK (the "**Amendment**") is entered into as of November \_\_, 2020, by and between ScoutCam Inc. (f/k/a Intellisense Solutions Inc.), a Nevada corporation (the "**Company**") and the Holder listed in the signature block hereto ("**Holder**"). Each of the Company and the Holder is a "**Party**" and together, they are the "**Parties**".

**WHEREAS**, the Company and the Holder entered into certain Warrants to purchase shares of the Company's common stock, par value \$0.001 per share, effective as of December 30, 2019 (the "**Original Warrant**"); and

**WHEREAS**, the Parties wish to amend certain provisions of the Original Warrant, all as set forth herein.

**NOW, THEREFORE**, the parties hereto agree to amend the Original Warrant as follows:

1. Section 4(a) (Transferability) shall be amended such that the clause shall be deleted in its entirety, and replaced with: "This Warrant and all rights hereunder (including, without limitation, any registration rights) are transferable, in whole or in part, upon surrender of this Warrant at the principal office of the Company or its designated agent, together with a written assignment of this Warrant, substantially in the form attached hereto as Exhibit B, duly executed by the Holder or its agent or attorney and funds sufficient to pay any transfer taxes payable upon the making of such transfer. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees, as applicable, and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company unless the Holder has assigned this Warrant in full, in which case, the Holder shall surrender this Warrant to the Company within three (3) Trading Days of the date on which the Holder delivers an assignment form to the Company assigning this Warrant in full. The Warrant, if properly assigned in accordance herewith, may be exercised by a new holder for the purchase of Warrant Shares without having a new Warrant issued."
  2. Except as otherwise amended hereby, the provisions of the Original Warrant shall remain unchanged and in full force and effect.
  3. This Amendment shall be deemed for all intents and purposes as an integral part of the Original Warrant.
  4. This Amendment may be signed in any number of counterparts, each of which shall be an original, but all of which taken together shall constitute one agreement.
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Exhibit B

**ASSIGNMENT OF WARRANT**

(To be signed only upon authorized transfer of the Warrant)

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto \_\_\_\_\_ the right to purchase \_\_\_\_\_ shares of Common Stock of **ScoutCam Inc. (f/k/a Intellisense Solutions Inc.)**, a Nevada corporation, to which the within Warrant relates, and appoints \_\_\_\_\_, as attorney-in-fact, to transfer said right on the books of ScoutCam Inc. with full power of substitution and re-substitution in the premises. By accepting such transfer, the transferee has agreed to be bound in all respects by the terms and conditions of the within Warrant.

Dated: \_\_\_\_\_

\_\_\_\_\_  
(Signature) \*

\_\_\_\_\_  
(Name)

\_\_\_\_\_  
(Address)

- \* The signature on this Assignment of Warrant must correspond to the name as written upon the face of the Common Stock Purchase Warrant in every particular without alteration or enlargement or any change whatsoever. When signing on behalf of a corporation, partnership, trust or other entity, please indicate your position(s) and title(s) with such entity.

**- Signature Page to Follow -**

\_\_\_\_\_



IN WITNESS WHEREOF, the parties hereto have executed this Amendment to the Original Warrant as of the first date written above.

\_\_\_\_\_  
ScoutCam Inc.  
By: Professor Benad Goldwasser  
Title: Chairman of the Board

[Company Signature Page]

\_\_\_\_\_

IN WITNESS WHEREOF, the parties hereto have executed this Amendment to the Original Warrant as of the first date written above.

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By:  
Title:

[Holder Signature Page]

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## Exhibit 31.1

**CERTIFICATION PURSUANT TO  
RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Yaron Silberman, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2020 of ScoutCam Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the year end covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the year end presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the year end in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the year end covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2021

/s/ Yaron Silberman

Yaron Silberman  
Chief Executive Officer

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**CERTIFICATION PURSUANT TO  
RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Tanya Yosef, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2020, of ScoutCam Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the year end covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the year end presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the year end in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the year end covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2021

/s/ Tanya Yosef

Tanya Yosef  
Chief Financial Officer

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**Exhibit 32.1**

**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 the Annual Report of ScoutCam Inc. (the "Company") on Form 10-K for the year ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Yaron Silberman, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Yaron Silberman

Yaron Silberman  
Chief Executive Officer  
ScoutCam Inc.  
March 31, 2021

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**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 the Annual Report of ScoutCam Inc. (the “Company”) on Form 10-K for the year ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Tanya Yosef, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Tanya Yosef

Tanya Yosef  
Chief Financial Officer  
ScoutCam Inc.  
March 31, 2021

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